Massey-Ferguson Limited Annual Report 1970

MF

MF

The stylized "MF", which has been used as the principal identifier on most industrial and construction machinery during the past three years, has proved so quickly recognizable that it is being adopted for use on all new Massey-Ferguson farm machinery and recreation equipment as they are introduced. The revised triple triangle, modernized with the new lettering will, however, continue to be used as the corporate symbol.

contents

Le rapport du conseil aux actionnaires en français peut être obtenu sur demande.

The Annual Meeting of Shareholders will be held in the Ontario Room, Royal York Hotel, Toronto at 12 o'clock noon on March 11, 1971

TRANSFER AGENTS

National Trust Company
Toronto, Vancouver, Winnipeg

Canada Permanent Trust Company
Montreal

The Canadian Bank of Commerce Trust Company
New York

The British Empire Trust Company, Limited
London, England

REGISTRARS

Crown Trust Company
Toronto, Montreal, Winnipeg, Vancouver

Morgan Guaranty Trust Company of New York
New York

Lazard Brothers & Co., Ltd.
London, England

STOCK EXCHANGES

The common shares of Massey-Ferguson Limited are listed on the Toronto, Montreal and Vancouver Stock Exchanges in Canada, on the New York Stock Exchange in the United States and on the London Stock Exchange in England. These shares also have unlisted trading privileges on the Midwest Stock Exchange in Chicago, the Philadelphia-Baltimore-Washington Stock Exchange, the Boston Stock Exchange and the Pacific Coast Stock Exchange.

Some 3,000 visitors from 68 countries attended the opening in June of the new Knowsley industrial and construction machinery plant near Liverpool. Climax of the show, held on each of five days, was the dramatic presentation and demonstration of the complete ICM line. In all, 30 machines took part in the grand parade past the viewing stand. Largest of the new machines shown to dealers and customers for the first time were the MF66, 77 and 88 wheel loaders with bucket capacities up to 6 cubic yards.

Massey-Ferguson Limited

200 UNIVERSITY AVE., TORONTO 1, CANADA

DIRECTORS

*Albert A. Thornbrough
President and Chief Executive Officer

*E. P. Taylor
Chairman, Executive Committee

The Marquess of Abergavenny
Henry Borden, Q.C.
H. J. Carmichael
Lord Crathorne

Hon. Leslie M. Frost, Q.C.
Charles L. Gundy
Gilbert W. Humphrey
John D. Leitch

*A. Bruce Matthews
*John A. McDougald
*Maxwell C. G. Meighen
John E. Mitchell

M. I. Prichard
John G. Staiger
T. M. Ware
*Colin W. Webster

**Member Executive Committee*

CORPORATE MANAGEMENT

A. A. Thornbrough
President and Chief Executive Officer

J. E. Mitchell
Group Vice President Industrial & Construction Machinery

M. I. Prichard
Group Vice President Engines

J. G. Staiger
Senior Vice President Corporate Administration

R. D. Bibow
Vice President Farm Machinery

J. A. Belford
Vice President Personnel & Industrial Relations

P. N. Breyfogle
Comptroller

H. G. Kettle
Vice President Public Relations

R. W. Main
Vice President and Secretary

H. Vajk
Vice President Logistics

J. P. Wleugel
Treasurer

H. A. R. Powell
Assistant to the President

L. J. Boon
Director Special Operations

P. J. Dixon
Director Management Information Systems

L. E. Elfes
Director Advanced Project Engineering

J. A. Evans
Director Legal Services

GROUP STAFF

C. L. Baker
Director Engineering Farm Machinery

D. S. Bigelow
Director Manufacturing & Project Management Farm Machinery

W. Reed-Lewis
Director Marketing Farm Machinery

B. P. Dyer
Director Manufacturing Engines

C. J. Hind
Director Engineering Engines

J. Winstanley
Director Marketing Engines

W. J. Askins
Director Engineering Industrial & Construction Machinery

J. D. Goodson
Director Marketing Industrial & Construction Machinery

R. M. Donovan
Director Manufacturing Industrial & Construction Machinery

OPERATIONS MANAGEMENT

FARM MACHINERY; INDUSTRIAL AND CONSTRUCTION MACHINERY

ARGENTINA—J. J. Campbell, General Manager

AUSTRALIA—H. P. Weber, General Manager

BRAZIL—J. A. Engelbrecht, General Manager

FRANCE—Dr. R. Durrer, Senior Executive Director

GERMANY—Dr. R. Durrer, Senior Executive Director

ITALY—Dr. F. Fadda, General Manager

NORTH AMERICA—J. E. Mitchell, Vice President and General Manager

SOUTH AFRICA—Dr. L. B. Knoll, General Manager

UNITED KINGDOM—P. J. Wright, Vice President and General Manager

EXPORT—P. J. Wright, Vice President and General Manager

INDUSTRIAL AND CONSTRUCTION MACHINERY

ITALY—Dr. F. Fadda, General Manager

NORTH AMERICA—J. D. Goodson, General Manager

UNITED KINGDOM—D. A. Elliott, General Manager

ENGINES

General Managers responsible for area co-ordination

NORTH AMERICA—V. O. Griffin

NORTHERN EUROPE—T. H. R. Perkins

SOUTHERN EUROPE—P. Poniatowski

LATIN AMERICA—R. M. Jennings

INTERNATIONAL OPERATIONS—H. Lymath

The MF135, seen here in Bavaria, continues its worldwide popularity as MF's best selling tractor. More than 350,000 of these ubiquitous machines have been built since 1965.

consolidated financial highlights

	1970	1969
OPERATING SUMMARY		
Millions of U.S. dollars		
Net sales	**$937.9**	$969.4
Profit (loss) before taxes and net income of finance subsidiaries	**(21.9)**	39.9
Net income (loss)	**(19.7)**	30.2
FINANCIAL STATUS		
Millions of U.S. dollars		
Net current assets	**$291.3**	$330.4
Long-term debt	**180.1**	155.7
Capital and retained earnings	**394.5**	431.5
PER COMMON SHARE		
Net income (loss) — based on the weighted average of shares outstanding during the year (U.S. dollars)	**$(1.08)**	$ 1.66
Dividends paid (Canadian dollars)	**1.00**	1.00
Equity (U.S. dollars)	**21.68**	23.72
STATISTICAL DATA		
Number of employees as of October 31	**47,386**	50,429
Number of shareholders	**45,744**	39,694
Common shares *(thousands)* — outstanding at year-end	**18,195**	18,195

report of the directors to the shareholders

FOR THE YEAR ENDED OCTOBER 31, 1970

CONSOLIDATED RESULTS FOR 1970

Consolidated sales for 1970 were U.S. $937.9 million. Sales were $31.5 million, or 3.2 per cent less than the record level of $969.4 million reached in 1969. (All amounts in this report, unless otherwise noted, are in United States dollars. The reasons for reporting in United States dollars are given in the Notes to Consolidated Financial Statements in this Report.)

For the 1970 fiscal year, before taxes and before finance subsidiary income, a loss of $21.9 million was incurred, compared with a profit of $39.9 million for 1969. Finance company income was $3.5 million, compared with $2.5 million in 1969. The provision for income taxes was $1.3 million against $12.1 million in 1969.

A net loss was incurred of $19.7 million, compared with net income of $30.2 million earned in 1969. The net loss per common share, based on the number of shares outstanding during the year, was accordingly $1.08, compared with net income per share of $1.66 in 1969. Dividends of $1.00 (Canadian) per share were paid to shareholders. At year-end, more than 62 per cent of the shares were held by registered shareholders whose addresses were in Canada, 36 per cent in the United States and the balance mainly in Europe.

Adverse Factors Causing Loss. Four factors were the primary causes of the loss incurred. They were:

1) our program to reduce dealer inventories in Canada and the United States, which had its major impact in the fourth quarter;
2) wildcat strikes causing disruptions to production, mainly in the United Kingdom;
3) persistent inflation; and
4) world-wide reduction in demand for combine harvesters.

The major factor making for lower sales and profitability was our effort to reduce dealer inventories in North America. As was noted in our 1969 Report, dealer inventories at the end of that year had exceeded optimum levels. Consequently, early in 1970, we reduced our production in both Canada and the United States, and emphasized sales to final customers (i.e., retail sales), thereby reducing dealer inventories substantially.

Our success in implementing this planned program may be judged by the fact that at October 31, 1970 our North American dealer inventories (i.e., company receivables) of new farm and industrial machinery were $47 million, or 30 per cent below those at the end of the previous year. This reduction was effected by a combination of an increase in retail sales and a reduction in wholesale sales (i.e., sales to dealers).

However, since our financial statements are based on wholesale sales and not on retail sales, results for 1970 show a substantial, non-recurring adverse impact on profitability, particularly in the fourth quarter.

A detailed explanation of our management control methods in North America, which will be based solely on retail sales accomplishment rather than wholesale sales, is on page 29.

The second factor causing the loss was the wildcat strikes in the United Kingdom at the factories of component suppliers and at our Coventry and Manchester plants. This brought the total loss in production in 1970 due to labour difficulties in the United Kingdom to approximately 18,000 tractors, most of which could not be recovered in time for sale during the 1970 fiscal year. The lack of British-made tractors and components resulting from these work stoppages also caused substantial disruptions in manufacturing and sales plans elsewhere in our world-wide operations.

Production disruptions, in turn, not only increased carrying charges for incomplete machines but also added costs in recovering lost production in our company in the United Kingdom and in other operations units that depend on components from the United Kingdom.

Persistent inflation, the third factor, was widespread, especially in Europe, causing rapid increases in the costs of labour, material, overhead charges and borrowing. The rate of inflation was such that it was generally impossible in the short term to compensate for our increased manufacturing costs by raising prices of our products. In a number of our major markets, moreover, government policy prevented such price increases.

The fourth factor, the drop in demand for combine harvesters, reflected the low level of international grain markets during 1969 and 1970. This impact was particularly strong in Australia, Canada and the United States. In western Europe, an early and in several instances poor grain harvest meant fewer requirements for new harvesting machinery. As the manufacturing of grain-harvesting machinery involves high fixed costs, reduced sales have a disproportionately heavy adverse effect on earnings.

Against the unsettled economic environment, we moved to reduce both operating and overhead costs, as well as dealer inventories. For example, the number of salaried and hourly-rate employees was reduced by almost 6 per cent by the end of the year. In certain units, such as Australia, Canada and the United States, the rate of

reduction was much greater. Massey-Ferguson had 50,429 employees on October 31, 1969; by October 31, 1970 it had 47,386.

Capital expenditure programs were restricted throughout 1970 to those which were already committed or were critical to the on-going requirements of the company. The restrictions placed on capital expenditures resulted in a reduction of more than 20 per cent from the levels scheduled for 1970.

Though the operations of the company as a whole incurred a loss, a number of units operated at a profit throughout the year. In those cases, income taxes at normal rates were paid. In countries where losses were incurred, the loss was carried back against past years' profits to the extent that local legislation permits. In many jurisdictions, however, such carry-back is not allowed, and there the losses will be carried forward against profits of 1971 and subsequent years.

Sales by Product Categories. World-wide sales of farm machinery (excluding parts) of $518.7 million were $66.7 million less than last year's record level of $585.4 million, a reduction of 11.4 per cent; industrial and construction machinery sales were the same as last year at $128 million. Sales of our third major product, engines (excluding engine parts), increased by 15.9 per cent, from $104.9 million to $121.6 million. Parts sales for all products (including engines) reached $132.1 million, or 6.8 per cent more than in 1969. Recreation equipment sales were more than 50 per cent ahead of last year, reaching $26.5 million. The value of other products sold was $10.9 million.

FARM MACHINERY

Demand in Australia and France was markedly lower than in 1969. Brazil and Germany, however, showed major gains over the record levels of last year. United Kingdom domestic and export sales, down slightly from 1969, were largely limited by problems of supply. Massey-Ferguson, however, continued to increase its share of the world-wide retail market for both tractors and combines.

North America. In both Canada and the United States, farm income in 1970 was higher than in 1969. Nevertheless, the percentage of farm machinery expenditure in terms of farm income was lower than it has been for eight years. Farm machinery purchases appear to have been limited more by high interest rates and the general feeling of economic uncertainty than by the level of farm income. Decisions to postpone purchases, especially of harvesting machinery, were also influenced by

Full production will begin this year in Detroit of MF's new line of articulated 4-wheel-drive agricultural tractors. The MF1800, the larger of the first two designed for North American markets, is rated at 180 horsepower. Of equal importance to the high power and performance is a wide range of comfort and safety features.

governmental action to discourage wheat planting which resulted in lower grain production in both the United States and Canada. Only in the final months of the year was there an improvement in the international market for grains. Other factors causing a difficult year were the effects on our customers of the repeal of the 7 per cent investment credit in the United States in mid-1969, the uncertainties arising from new farm legislation

and the damage to production caused by the corn blight. In spite of these factors, however, Massey-Ferguson's share of both the United States and Canadian farm machinery market at the retail level was further improved. In Canada and the United States, especially during the fourth quarter, our reduced dealer inventories and increased market penetration resulted from our restricted manufacturing program and our emphasis on retail sales. By year-end, dealer stocks of new farm machinery were at lower levels than they have been for several years.

Recreation equipment (garden tractors and snowmobiles) sold well during the year, despite the pressures on consumers' disposable income as a result of inflation. Massey-Ferguson introduced new machines and further increased its sales in this rapidly growing market by more than 50 per cent to $26.5 million. Further details of these leisure-time machines are on page 30.

Europe. Exceptionally high increases in costs and a credit squeeze led farmers in the United Kingdom to make do with older machinery longer than they would normally have done. Even the reduced demand for new tractors could not, however, be met during the latter half of the year, traditionally a time of heavier sales, because of strike disruptions at our factories in the United Kingdom.

France experienced a major drop in demand for all types of farm machinery, with the tractor market reaching its lowest point since 1955 and the sales of combines sharply reduced by both credit restrictions and a poor cereal harvest. Credit was generally scarce, but where it was available its high cost and the heavy rate of repayment by farmers of past loans contributed to the lack of available funds. Nevertheless, Massey-Ferguson increased its share of the French market.

In Germany, Massey-Ferguson sales of farm machinery increased by 24 per cent to a record level, augmenting our penetration of both the tractor and combine markets. Massey-Ferguson's image in Germany was further strengthened by the acquisition of a minority position in Eicher GmbH, a manufacturer of tractors, especially machines adapted for vineyard work. However, by the end of the fiscal year inflationary pressures were beginning to cause slower sales, and competition in the reduced market had become more severe.

Sales in Italy achieved an increase of 14 per cent over 1969. Despite a drop in the over-all Italian farm machinery market of about 25 per cent, arising in part from doubts about the future level of demand for Italian farm produce, Massey-Ferguson tractor sales were well ahead of last year. As in several countries, however, the demand for combines was below last year.

Operations Units in other Areas. Fiscal 1970 was the first full year of operation for our new unit in Argentina. An effective dealer network is being developed and final plans made for the launch during 1971 of the Massey-Ferguson tractor line. The expected loss involved in the change-over was increased by the devaluation of the peso. While the short-term prospects in the Argentine market are difficult, the long-term outlook appears promising.

Demand for farm machinery in Australia continued to be sharply depressed, with Massey-Ferguson sales in 1970 falling 37 per cent below the already reduced levels of 1969. Faced with grain delivery quotas and low prices, farmers were reluctant to invest in new equipment. The lack of demand was also aggravated both by credit restrictions and a severe drought in eastern Australia.

Brazil, on the other hand, proved to be a most satisfactory market. With the elimination of sales taxes on farm machinery and the introduction by the government of a new agricultural development program, sales were sharply increased and were 78 per cent ahead of last year's record level. Through the progressive introduction of new products and the further development of our dealer system, increases in market penetration were achieved. Combine production has now been undertaken in Brazil, and the market response has been highly encouraging. A wheat development project, co-sponsored by Massey-Ferguson, has shown favourable results, even though it is still in an early stage. It has already given Brazilian grain farmers greater confidence in the future.

Despite severe droughts in most parts of South Africa, farm income improved over last year, with a favourable impact on the agricultural machinery market. Limitations on sales generally arose from problems of supply rather than demand, primarily the result of disruptions in shipments from our United Kingdom factories. Nevertheless, South Africa reached a sales record in 1970.

Associate Companies and Special Operations. In India, Mexico, Morocco, Pakistan, Portugal, Spain, Thailand and Turkey are companies which are licensed to manufacture or assemble our farm machinery. Massey-Ferguson has a minority interest in some of these companies.

Demand in India for farm tractors has reached unprecedented levels, but our ability to help supply this growing market has been in part limited by the difficulties of our

associate, Tractors and Farm Equipment Limited of Madras, to obtain a dependable and steady supply of essential materials and components from local vendors. New plant and equipment have been installed to raise production levels, but the ability to reach greater volume will continue to be determined largely by the even supply of components from other manufacturers in India. World Bank loans to India are expected to permit major importation of tractors in 1971.

Last year's Annual Report described our plans to construct both a tractor and an engines factory in Turkey. Since then, the economic position of Turkey has deteriorated and difficult economic adjustments are being made. Against this background, it became evident that implementation of the projects at the original volumes envisaged would put an unacceptable cost penalty on Turkish customers. It was therefore proposed to the Turkish Government that the two projects be revised so as to provide in the long term the original production volumes, but in the interim to spread the investment over a sufficiently long period to minimize the cost penalty both to the customer and to the Turkish economy generally. Discussions with our prospective Turkish partners and the Government are underway on this basis. In the meantime, assembly continues of Massey-Ferguson tractors by a licensee.

Crops in Mexico were generally good, but demand throughout the farm machinery industry was lower than last year. Pending the installation of the new national president, questions remained about the level of government assistance to agriculture. While for the industry as a whole tractor sales were down almost one-third, our associate company increased significantly its market penetration and also improved its share of the combine market.

Pakistan has encountered a varying market, but Portugal and Thailand have continued to be satisfactory. Morocco has had a less successful year than in 1969, but Massey-Ferguson's already large share of the market has been increased.

Total sales of our Spanish associate company, Motor Iberica, were greater than last year but profitability was reduced by several factors, principally the higher costs of materials and labour and government control of machinery prices. The leading position of Motor Iberica in the Spanish market was maintained as a manufacturer of both farm machinery and trucks.

Sales on a non-consolidated basis of our associate companies in 1970 totalled \$240 million, a major increase over 1969 and an indication of the growing importance of these markets.

Export Operations. "Export Operations" comprise sales made to approximately 160 markets where Massey-Ferguson has neither factories nor associate companies. Total export sales of farm machinery were marginally lower than the record level of 1969, reflecting primarily supply problems rather than a drop in demand. In export markets in Europe, demand for Massey-Ferguson products remained strong, despite limited market growth. In the developing countries, there was a modest growth in sales and neither political nor economic difficulties had a significant adverse effect on our results. Had it not been for severe supply problems, primarily from the United Kingdom, the major source for our export sales, further growth would have been achieved.

New Farm Machinery Products. The first pre-production models of a new 4-wheel-drive tractor line were produced in North America during the latter part of the year. The MF 1500 and MF 1800 tractors, in the 150 to 180 horsepower category, are entering full production.

A new high-performance crawler loader, the MF200, is shown at work in a German plant. Made in Italy, the efficient, compact, 44 horsepower machine has a ¾ cubic yard bucket capacity and is available with manual or hydraulic shuttle transmission.

In addition to ruggedness and high horsepower, these machines incorporate operator comfort and safety features setting new standards.

A new line of combines designed for larger farms and harvesting contractors was announced in European and export markets in late 1970. The MF 520, MF 525, MF 620 and MF 625 combines are the result of more than three years of rigorous testing throughout Europe. In addition to greatly improved all-around performance, reliability and convenience of operation, the largest combine, the MF 625, has 30 per cent greater capacity than the MF 515.

In response to greater demand for combine harvesters in Brazil, Massey-Ferguson began to manufacture there the MF 210 combine. This machine was developed in Brazil from the highly successful MF 187 combine sold in Europe and in a number of export markets.

INDUSTRIAL AND CONSTRUCTION MACHINERY

Sales were approximately the same as in 1969. Industrial machinery sales were limited by both internal and suppliers' strikes. There was a softening of demand for construction machinery in some major markets. A continued broadening of our distribution system, along with new products, resulted in increased penetration in many countries. Planned reductions in dealer inventories in Canada and the United States meant lower wholesale sales, but despite economic slow-down, our retail sales were above 1969, reflecting increased acceptance of our products. In Europe, inflation and the high cost of money adversely affected sales. Increases were nevertheless achieved in Germany. Sales in Italy were approximately the same as in 1969, but France showed a decrease. In the latter two countries, there has been an unsettled economic environment and credit scarcity; however, signs of greater stability and growth became evident toward the end of the year. Sales improved in South Africa and Brazil, but not in Australia.

In June, the British Prime Minister officially opened a new plant of 250,000 square feet at Knowsley (near Liverpool). The occasion was also a major product show for more than 3,000 dealers, customers and other visitors from around the world. Further details of this event are on page one.

At the factories in Aprilia, Italy, and in Akron, United States, additional machine tools were installed and facilities expanded to improve quality control, handling, assembly and shipping. These additions will relieve manufacturing restrictions and improve supply for planned sales growth.

Four new wheel loaders were launched in 1970 and when in full supply in 1971 will contribute to future growth. These new loaders will enable Massey-Ferguson to compete in 80 per cent of all wheel-loader business. The new products are:

	Bucket Capacity (cubic yards)	Net Flywheel Horsepower	Total Weight (pounds)
MF 11	1⅓	74	14,500
MF 66	3½	175	34,100
MF 77	4½	224	42,180
MF 88	6	284	60,000

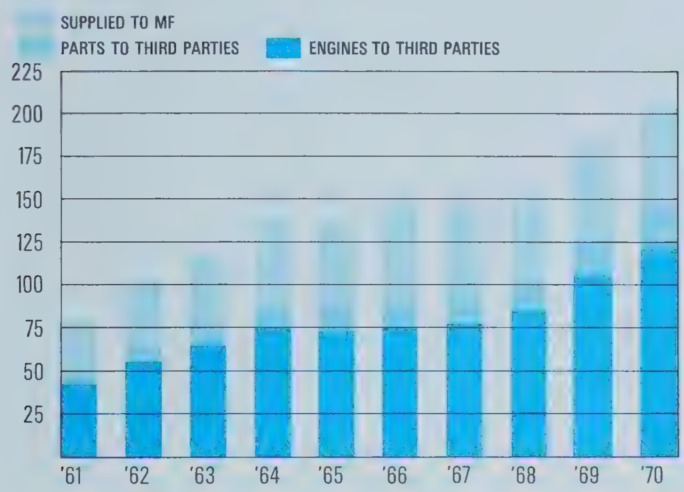
For 1971 our industrial and construction machinery line has 32 basic models of hydraulic excavators, forklifts, wheel tractors, backhoe loaders, wheel loaders, logging equipment, crawler loaders and crawler bulldozers. In 1967, when our expanded line was launched, there were only 13 basic models.

ENGINES

Despite a lower world-wide market for farm machinery and a slackening in demand for industrial and construction machinery, sales of engines to more than 850 Perkins' customers set a new record at $121.6 million, an increase of $16.7 million, or 15.9 per cent over 1969. The value of the engines supplied for Massey-Ferguson

"Flying Christine II", the sea ambulance operated by the St. John Ambulance Brigade on the island of Guernsey, is powered by twin Perkins T6.354 diesel engines. More than 850 manufacturers throughout the world specify Perkins engines as original equipment.

ENGINES GROUP SALES
(MILLIONS OF U.S. DOLLARS)



machines was $57.8 million. The total value of the engines and parts manufactured by Perkins was a record $203.2 million. Much of this increase came from new applications, thereby compensating for the softening of demand in certain major industries.

A total of 395,000 engines was manufactured at Perkins' principal factories at Peterborough, England and by subsidiaries in Australia, Brazil and France and by associates or licensees in Argentina, India, Italy, Japan, Mexico and Spain. Total production in the United Kingdom would have been even greater if the automotive industry had not been severely disrupted by strikes during the latter half of the year.

During 1970, Perkins concluded an agreement with the Yanmar Diesel Engine Company, the leading manufacturer in its class in Japan, under which Perkins industrial and marine engines, completed by Yanmar with Japanese components, will be sold under the name of Yanmar-Perkins.

A new truck engine—a turbo-charged, 6-cylinder, 155 horsepower diesel—was added to the total Perkins range of 20 to 185 horsepower engines, which are used in a wide variety of marine, industrial and automotive, as well as agricultural machinery applications. Further development of these and future engines will take fully into account every aspect of air pollution. In the United States, every Perkins engine used by vehicle manufacturers has qualified for a federal certificate of conformity. Similarly, in western Europe, Perkins engines are progressively being tested and approved to meet forthcoming standards.

INDUSTRIAL RELATIONS

In a year in which production losses due to strikes in the United Kingdom were the highest since the General Strike of 1926, the company's production and shipments (as noted above) suffered seriously from the work stoppage on the docks and wildcat strikes in our own plants and in those of suppliers.

The master agreements covering employees in our manufacturing operations in the United States terminated in October and in Canada in December. At year-end, contract renewal negotiations were underway in both countries, as operations continued under temporary extensions of the agreements.

In France, in contrast with disturbed conditions in the previous year, relatively stabilized relations prevailed and our activities were free of disturbances. Industry-wide agreements in Germany expired in September and were renewed in October without interference to production. Labour difficulties in Italy occurred mainly early in the fiscal year as part of the general social disturbances there.

In Brazil, labour court awards reflected decreasing inflation, and the stable union-management relations enjoyed for the last several years continued. Collective agreements were successfully renewed in South Africa and Mexico.

MANAGEMENT APPOINTMENTS

Following the close of the fiscal year 1970, H. A. Wallace, a Director and Vice President Manufacturing, and E. W. Young, Chairman of Massey-Ferguson Holdings Limited, retired. We wish to record our gratitude for their outstanding contributions to the consolidation and evolution of Massey-Ferguson as a major multinational corporation.

On January 7, 1971, J. E. Mitchell, Group Vice President Industrial and Construction Machinery and General Manager North America, was appointed a Director of Massey-Ferguson Limited.

During 1970 the following senior Corporate Management appointments were made: R. D. Bibow, formerly Director Marketing Farm Machinery, became Vice President Farm Machinery; W. Reed-Lewis, formerly General Manager, Mexico, became Director Marketing Farm Machinery; and D.S. Bigelow, formerly Director Technical Operations, United Kingdom, became Director Farm Machinery Manufacturing and Project Management.

J. W. Beith was appointed Chairman, Massey-Ferguson (United Kingdom) Limited and P. J. Wright succeeded him as General Manager, United Kingdom, while con-

The MF525 and MF625 combine harvesters are two models of the new high capacity combine line introduced recently in European and Export markets. Designed specifically for the growing number of large farms and for use by contractors, the MF625 provides up to 30 per cent increased output over the MF515.

tinuing as General Manager, Export Operations. H. A. R. Powell became Chairman, Massey-Ferguson Holdings Limited. R. Ramsay, who was Director Marketing, South Africa, succeeded W. Reed-Lewis as General Manager, Mexico. G. Smith, formerly General Manager, Perkins, North America, was appointed Director Technical Operations, United Kingdom.

In the Industrial and Construction Machinery Group, J. D. Goodson was appointed General Manager, North America, while continuing as Director Marketing for the ICM Group world-wide. R. M. Donovan became Director Manufacturing, and W. J. Askins Director Engineering for the ICM Group.

In the Engines Group, H. Lymath was designated General Manager, International Operations, V. O. Griffin was appointed General Manager, North America and R. M. Jennings succeeded him as General Manager, Latin America.

OUTLOOK FOR 1971

The operating environment for Massey-Ferguson in 1971 will continue to be uncertain as the effects of inflation, financial stringencies, and cost and pricing impacts work themselves through the world economy.

At the present time, there appears to be some loosening of credit and significant reduction from high levels of interest rates. This should be a favourable factor. Also favourable are the actions being taken to expand the economies of Canada, United States, France and others. Affecting all industrial economies are the persistent high wage settlements currently fueling cost inflation. In the short term, relative to 1970, this situation probably will be no worse and may show some improvement. For the longer term, continuance of excessive cost inflation cannot but decrease the ability of large sectors of the market to buy and thus add to the already critical economic and social imbalances.

The major sales vulnerability for Massey-Ferguson in 1971 would seem to be product availability from sources undergoing major labour negotiations. In Canada and the United States we are in the midst of negotiations. Industrial relations within the United Kingdom remain volatile, but there seems to be a growing public concern and support for improved industrial relations legislation.

The world cereal situation is showing signs of easing as surpluses decline. Pricing trends of feed grains are currently favourable, with the longer outlook related to how successful the United States will be in 1971 in reacting to the corn blight. Sales prospects for combines are somewhat more favourable in a number of markets. On the other hand, agricultural conditions in Germany, Italy, the United Kingdom and Australia will be less favourable in 1971.

Massey-Ferguson enters 1971 with the following situations:

1) significant improvement of market penetration for major products;
2) additional new major products, added to the already highly accepted product line;
3) pricing actions for 1971, very high relative to past experience, should cover inflation at the 1970 rate;
4) substantial reductions in overhead costs including factory rationalization, factory closures and organization structure eliminations. Further actions in these areas will continue throughout 1971;
5) major profit improvement in North America as wholesale sales more closely approach retail sales levels (in 1970 wholesale sales were more than $50 million below retail sales).

Reduction in inventories by all possible measures has the highest priority as regards use of assets. Inventories are all current, and no disposal expense will be involved. Other major areas of asset use will be controlled at the lower levels already established.

On balance, the market for Massey-Ferguson in 1971 appears to be improved over 1970 for both farm machinery and industrial and construction equipment.

For engines, the outlook at present is for sales at least to equal 1970.

Massey-Ferguson thus is in a position to take profitable advantage of whatever favourable situations are possible within the still uncertain operating environment of 1971.

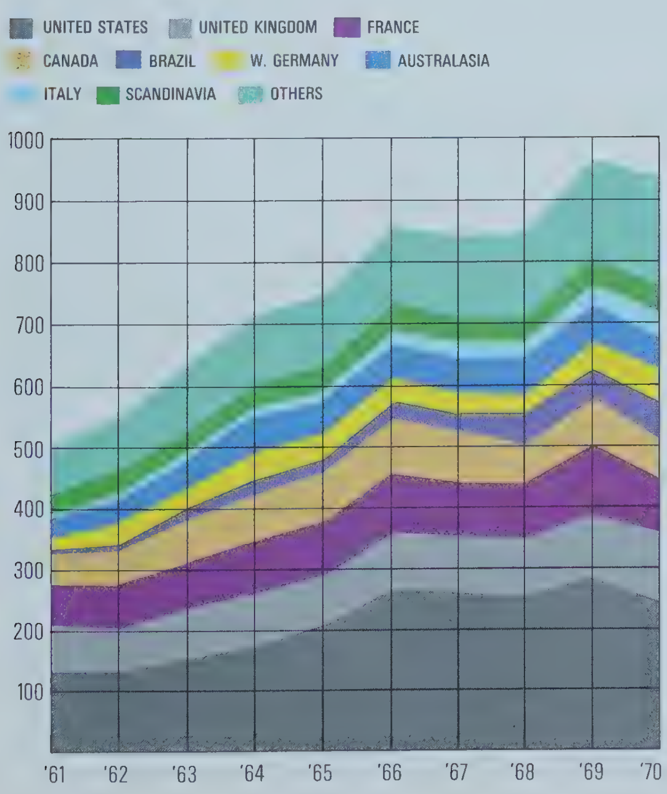
To our employees, distributors and dealers, and our business associates around the world, we extend appreciation for their valuable efforts during a difficult year.

Albert A. Thornbrough

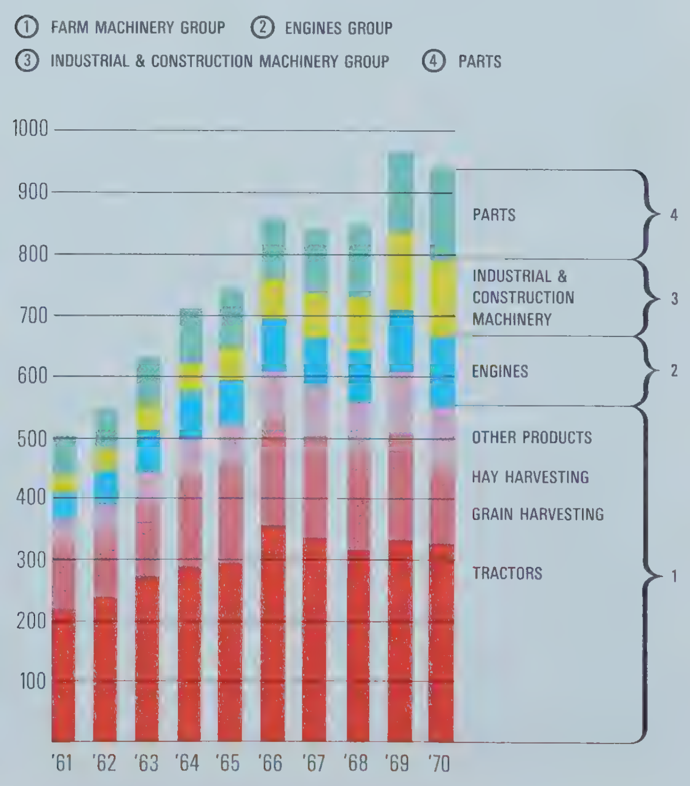
Toronto, January 28, 1971

President and
Chief Executive Officer

NET SALES BY MARKETS
(MILLIONS OF U.S. DOLLARS)



NET SALES BY PRODUCTS
(MILLIONS OF U.S. DOLLARS)



Massey-Ferguson's range of industrial and construction machinery—already one of the broadest offered by any manufacturer world-wide—was extended further with the addition of three large articulated wheel loaders. Built in the U.S.A., the MF66, the MF77 and MF88 (above) have operating capacities ranging from 10,500 lbs. to 18,000 lbs. Applications include quarries, major earth moving projects, cement mills and whenever quantities of loose materials have to be moved quickly and efficiently.

Two major harvesting innovations were introduced in 1970. The world's first 4-row, self-propelled, sweet-corn harvester, shown above, has a capacity of 18 tons of corn ears per hour. The machine, which is capable of replacing four tractor-mounted pickers, enables producers to speed harvesting of this perishable table crop.

Below is the MF201 Cane Commander, a high-capacity, self-propelled machine which cuts, chops and loads sugar cane into transport vehicles in a continuous operation. Designed and built in Australia, the Commander has been highly praised by users there, in Jamaica, Mexico, Malaysia and in other cane-growing countries.

Clarkson, Gordon & Co.
Chartered Accountants

To the Shareholders of
Massey-Ferguson Limited:

We have examined the consolidated balance sheet of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1970, and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. We have also examined the combined statement of assets and liabilities of Massey-Ferguson Finance Company of Canada Limited, Massey-Ferguson Credit Corporation and its subsidiaries and Massey-Ferguson Export Finance Company Limited as at October 31, 1970. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly (a) the financial position of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1970, and the results of their operations and the source and use of their funds for the year then ended and (b) the combined assets and liabilities of Massey-Ferguson Finance Company of Canada Limited, Massey-Ferguson Credit Corporation and its subsidiaries and Massey-Ferguson Export Finance Company Limited as at October 31, 1970, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in the manner in which the net income of finance subsidiaries is shown in the consolidated statement of income (Note 1) and the change to U.S. dollar reporting (Note 2).

Clarkson, Gordon & Co

Toronto, Canada,
December 21, 1970.

Chartered Accountants

Massey-Ferguson Limited

CONSOLIDATED STATEMENT OF INCOME

Year ended October 31, 1970 (with comparative figures for 1969)
(In U.S. Dollars—Note 2)

	1970	1969
SALES AND OTHER INCOME:		
Net sales	$937,903,000	$969,398,000
Interest and sundry income	12,985,000	10,808,000
Profit on disposal of capital assets	554,000	2,238,000
TOTAL SALES AND OTHER INCOME	951,442,000	982,444,000
Deduct:		
Cost of goods sold	751,830,000	749,556,000
Marketing, general and administrative expenses	144,119,000	134,149,000
Engineering expenses	25,947,000	24,514,000
Interest on long-term debt	12,396,000	9,934,000
Interest on bank and other short-term debt	37,324,000	23,097,000
Exchange adjustments	882,000	(238,000)
Minority interest	842,000	1,542,000
	973,340,000	942,554,000
PROFIT (LOSS) BEFORE INCOME TAXES AND NET INCOME OF FINANCE SUBSIDIARIES	(21,898,000)	39,890,000
Income Taxes:		
Before reduction due to tax credits	2,007,000	14,730,000
Tax credits (Note 5)	(700,000)	(2,601,000)
	1,307,000	12,129,000
PROFIT (LOSS) BEFORE NET INCOME OF FINANCE SUBSIDIARIES	(23,205,000)	27,761,000
Net Income of Finance Subsidiaries (Note 1)	3,517,000	2,471,000
NET INCOME (LOSS) FOR THE YEAR	$(19,688,000)	$ 30,232,000
Earnings (loss) per share (based on the weighted average number of shares outstanding during the year)	$ (1.08)	$ 1.66
Depreciation, and amortization of production tooling included above (Note 4)	$ 30,493,000	$ 31,054,000
Remuneration paid to the company's directors, including directors holding salaried employment	$ 578,000	$ 535,000

(See accompanying Notes to Consolidated Financial Statements)

Massey-Fer

(INCORPORATED UND

CONSOLIDATED

October 31, 1970 (with compa

(In U.S. Do

ASSETS

	1970	1969
CURRENT ASSETS:		
Cash	$ 27,563,000	$ 26,531,000
Receivables (Note 3)	309,057,000	392,800,000
Inventories, valued at the lower of cost or net realizable value—		
Raw materials and work in process	160,904,000	147,088,000
Finished goods	205,994,000	159,006,000
Total inventories	366,898,000	306,094,000
Prepaid expenses and other current assets (Note 5)	29,725,000	32,590,000
TOTAL CURRENT ASSETS	733,243,000	758,015,000
INVESTMENTS:		
Wholly owned finance companies, at equity in net assets (Note 1)	32,149,000	28,261,000
Associate companies, at cost	33,369,000	30,051,000
	65,518,000	58,312,000
FIXED ASSETS:		
Land	8,975,000	8,888,000
Buildings	128,940,000	124,035,000
Machinery and equipment	271,543,000	253,328,000
Production tooling	29,534,000	25,467,000
Total fixed assets, at cost	438,992,000	411,718,000
Less accumulated depreciation and amortization (Note 4)	245,519,000	228,423,000
	193,473,000	183,295,000
OTHER ASSETS AND DEFERRED CHARGES (Note 5)	19,485,000	14,252,000
	$1,011,719,000	$1,013,874,000

ON BEHALF OF THE BOARD:

E. P. Taylor, Director

Albert A. Thornbrough, Director

uson Limited

E LAWS OF CANADA)

ALANCE SHEET

e figures at October 31, 1969)

—Note 2)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
CURRENT LIABILITIES:		
Bank borrowings	$ 188,888,000	$ 162,298,000
Other short-term borrowings	7,071,000	7,308,000
Accounts payable and accrued charges	211,489,000	208,359,000
Income, sales and other taxes payable	20,020,000	38,156,000
Dividends payable	4,458,000	4,226,000
Advance payments from customers	10,044,000	7,251,000
TOTAL CURRENT LIABILITIES	441,970,000	427,598,000
DEFERRED INCOME TAXES (Note 5)	1,494,000	4,663,000
LONG-TERM DEBT:		
Bonds, debentures, notes and loans (Note 8)	180,075,000	155,672,000
Less instalments maturing within one year, included with accounts payable and accrued charges	20,073,000	18,741,000
	160,002,000	136,931,000
MINORITY INTEREST IN SUBSIDIARIES	13,772,000	13,171,000
SHAREHOLDERS' EQUITY:		
Share capital (Note 7)	176,061,000	176,061,000
Retained earnings (including retained earnings of unconsolidated finance companies: October 31, 1970—$17,928,000; October 31, 1969—$14,440,000) (Note 6)	218,420,000	255,450,000
	394,481,000	431,511,000
	$1,011,719,000	$1,013,874,000

(See accompanying Notes to Consolidated Financial Statements)

Massey-Ferguson Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended October 31, 1970 (with comparative figures for 1969)
(In U.S. Dollars—Note 2)

	1970	1969
BALANCE AT BEGINNING OF YEAR	**$255,450,000**	$242,113,000
Net income (loss) for the year	**(19,688,000)**	30,232,000
	235,762,000	272,345,000
Deduct cash dividends of Canadian $1 per share	**17,342,000**	16,895,000
BALANCE AT END OF YEAR	**$218,420,000**	$255,450,000

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended October 31, 1970 (with comparative figures for 1969)
(In U.S. Dollars—Note 2)

	1970	1969
WORKING CAPITAL AT BEGINNING OF YEAR	**$330,417,000**	$333,058,000
SOURCE OF FUNDS:		
Net income (loss) for the year	**(19,688,000)**	30,232,000
Add (deduct):		
Depreciation, and amortization of production tooling	**30,493,000**	31,054,000
Equity in earnings of finance companies in excess of dividends received	**(3,488,000)**	(2,443,000)
Increase (decrease) in deferred income taxes	**(3,169,000)**	1,063,000
Tax recovery debits (Note 5)	**(2,043,000)**	
FUNDS FROM OPERATIONS	**2,105,000**	59,906,000
Repayment by finance companies of long-term advance		4,723,000
Increase in share capital		907,000
Issues of long-term debt	**45,491,000**	14,246,000
Net book value of fixed asset disposals	**2,223,000**	2,140,000
Increase in minority interest in subsidiaries	**601,000**	1,691,000
TOTAL FUNDS PROVIDED	**50,420,000**	83,613,000
USE OF FUNDS:		
Fixed assets, including fixed assets of acquired companies	**42,894,000**	38,400,000
Reduction in long-term debt	**22,420,000**	18,176,000
Dividends	**17,342,000**	16,895,000
Investment in associate companies	**3,318,000**	9,440,000
Investment in finance subsidiaries	**400,000**	2,775,000
Increase in other assets and deferred charges	**3,190,000**	568,000
TOTAL FUNDS USED	**89,564,000**	86,254,000
Decrease in working capital	**39,144,000**	2,641,000
WORKING CAPITAL AT END OF YEAR	**$291,273,000**	$330,417,000

(See accompanying Notes to Consolidated Financial Statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 1970
(In U.S. Dollars—Note 2)

1. BASIS OF CONSOLIDATION

The accompanying financial statements consolidate the accounts of all subsidiary companies except for the three wholly owned finance companies, two in North America and one in the United Kingdom, which are not consolidated because of the different nature of their business. The United Kingdom finance subsidiary commenced operations in August 1970, and at the year-end had approximately $28,000,000 of export receivables which it had purchased from affiliated companies in that country. A combined statement of the assets and liabilities of the finance subsidiaries is set out separately on page 22. The investment in these companies is carried in the consolidated balance sheet at the equity in their net assets. In prior years the income and expense accounts of the finance subsidiaries were fully consolidated in the consolidated statement of income. In 1970, the equity in earnings of these companies is shown instead as a single amount in the consolidated statement of income, and the 1969 comparative figures have been restated to conform with this presentation. This change has had no effect on the net loss reported for 1970 or the net income reported for 1969.

2. CHANGE TO U.S. DOLLAR REPORTING

During 1969 and prior years, the company's consolidated financial statements were stated in Canadian dollars. During the period when the Canadian dollar was at a fixed rate in terms of U.S. dollars, that is from May 1962 until the end of May 1970, this method of reporting did not result in any major distortions due to exchange adjustments. However with a Canadian dollar floating in relation to all other currencies, significant variations in the exchange rate will result in exchange differences that are unrelated to actual operations and would have a distorting effect. For example, if the company were to continue to prepare its financial statements in Canadian dollars, a variation of one percentage point in the Canadian exchange rate would affect net income by approximately $2,000,000; and applying the exchange rate that existed at October 31, 1970 a reduction of 1970 earnings of approximately $10,000,000 would have resulted due simply to the change in valuation of the company's net assets outside Canada.

Assets outside Canada represent 86 per cent of the consolidated total, and with substantially more assets in the United States than in any other country including Canada and because of the position of the U.S. dollar in international trade, the probability of exchange fluctuations affecting income is substantially reduced by reporting in U.S. dollars. In the light of these factors, the company has concluded that reporting in U.S. dollars rather than Canadian dollars would provide a more consistent and meaningful measurement of consolidated operating results. The 1970 consolidated financial statements are accordingly presented in U.S. dollars, and the comparative figures for 1969 have been restated on the same basis.

The statements of companies outside the United States have been translated into U.S. dollars as follows: current assets, current liabilities and long-term debt at exchange rates prevailing at the end of the period; investments, fixed assets and depreciation provisions on the basis of rates prevailing at date of acquisition; income and expenses (other than depreciation provisions) at average exchange rates during the period. Exchange gains or losses from such translation practices are reflected in the consolidated statement of income.

3. RECEIVABLES

(a) Receivables include amounts due from finance subsidiaries of $5,331,000 in 1970 and $8,102,000 in 1969.

(b) A substantial portion of the receivables consist of non-interest-bearing notes received from dealers. Approximately $60,000,000 or 19 per cent of the 1970 trade receivables mature beyond one year (subject to earlier settlement when the product is sold by the dealer) but are included in current assets in accordance with accounting practice in the industry.

(c) Receivables are shown net of the following provisions:

	1970	1969
Allowance for doubtful notes and accounts	**$ 7,110,000**	$ 5,393,000
Volume and performance bonuses, returns and other allowances	**12,733,000**	15,599,000
Unearned interest	**1,598,000**	1,362,000
	$21,441,000	$22,354,000

4. DEPRECIATION AND AMORTIZATION

Depreciation of facilities is provided at rates which are designed to write off the assets over their estimated useful lives as follows:

Buildings	5 to 50 years
Machinery and Equipment	3 to 10 years
Trucks and Automobiles	3 to 5 years
Office Furniture and Equipment	5 to 10 years

Production tooling for new products and for major product changes is generally amortized over a three-year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements and for minor product changes is charged against income at the time of purchase.

5. INCOME TAXES

The companies follow the tax allocation principle of providing for income taxes. Under this principle deferred income taxes are set up with respect to capital cost allowances claimed for tax purposes in excess of depreciation recorded in the accounts, and prepaid income taxes are set up with respect to various provisions made for accounting purposes which have not yet become deductible for tax purposes. In addition tax recovery debits are set up in respect of losses represented by unclaimed capital cost allowances where in the opinion of management it is virtually certain that future earnings will be sufficient to realize them. Deferred income taxes

are shown separately on the consolidated balance sheet. Prepaid income taxes (which amounted to $15,919,000 in 1970 and $20,891,000 in 1969) are grouped with "Prepaid expenses and other current assets". Tax recovery debits of $2,497,000 (of which $2,043,000 arose in 1970) are grouped with "Other assets and deferred charges".

The tax credits shown in the consolidated statement of income for 1970 and 1969 represent tax reductions arising from the carry-forward of prior years' losses in certain companies, other tax adjustments relating to prior years, and credits resulting from investment allowances. At October 31, 1970 certain companies had losses available to be carried forward for which potential tax recoveries have not been recognized in the accounts; at current tax rates the tax recoveries which would result from the carry-forward of these losses will, if realized, amount to approximately $18,000,000.

6. DIVIDEND RESTRICTIONS

The loan agreements of certain subsidiary companies contain restrictions on the payment of dividends. Under the most restrictive of these, approximately $82,000,000 of consolidated retained earnings is not available for the payment of dividends to shareholders of Massey-Ferguson Limited. Of the remaining $136,000,000 approximately $83,000,000 represents the unrestricted portion of profits of various subsidiaries outside North America which have not been remitted to Canada.

Transfers of earnings from companies outside North America are generally subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable. Dividend payments from subsidiaries in a number of countries are subject to withholding taxes. As substantially all the unremitted accumulated earnings of such subsidiaries have been re-invested in working capital and fixed assets, and as the amount of earnings which will be transferred in the future and the rates which will be applicable at that time are not known, such taxes are reflected in consolidated earnings only at the time of actual dividend remittance.

7. SHARE CAPITAL, STOCK OPTIONS AND RESERVATION OF SHARES

(a) The authorized share capital consists of 25,000,000 common shares without nominal or par value, of which 18,195,450 shares were outstanding at October 31, 1970 (unchanged from October 31, 1969).

(b) Employee stock options were outstanding at October 31, 1970 with respect to an additional 118,150 common shares exercisable by various dates up to 1976 as follows:

Year Granted	Option Price (Canadian Dollars)	Outstanding October 31, 1969	Changes During Year		Outstanding October 31, 1970
			Granted	Expired	
1964	$18.50	37,200		37,200	
1965	30.75	7,500		4,000	3,500
1966	32.25	2,200		600	1,600
1966	33.63	2,000			2,000
1966	35.94	3,000			3,000
1967	24.25	1,000			1,000
1968	16.75	4,500			4,500
1968	17.31	3,000			3,000
1968	18.25	49,150			49,150
1969	18.13	8,700			8,700
1969	18.25	10,700		1,000	9,700
1969	18.50	1,000			1,000
1969	23.07	2,000		2,000	
1969	23.44	7,500			7,500
1970	16.50		3,500		3,500
1970	9.31		20,000		20,000
		139,450	23,500	44,800	118,150

Of the outstanding options 43,900 are for directors and officers. A further 152,100 unissued common shares are reserved for possible future employee options.

8. LONG-TERM DEBT

(Repayable in currency of country indicated; maturity dates shown are for fiscal years ending October 31)

	October 31, 1970	October 31, 1969
MASSEY-FERGUSON (AUSTRALIA) LIMITED:		
5¾% First Mortgage Debenture Stock matured 1970		$ 5,588,000
9½% First Mortgage Debenture Stock maturing 1985	**$ 2,547,000**	
MASSEY-FERGUSON S.A. (FRANCE):		
6½%-7% Mortgage Loans maturing 1971-75	**1,254,000**	1,600,000
8¼% Unsecured Bank Loans maturing 1978-80	**4,538,000**	5,398,000
MOTEURS PERKINS S.A. (FRANCE):		
8¼% Unsecured Bank Loan maturing 1978-80	**2,172,000**	2,152,000
MASSEY-FERGUSON G.m.b.H. (GERMANY):		
2½% Unsecured Loan maturing 1971-74	**207,000**	255,000
2½%-3½% Mortgage Loans maturing 1971-98	**2,786,000**	2,931,000
MASSEY-FERGUSON ICM S.p.A. (ITALY):		
3% First Mortgage Loan maturing 1971-81	**1,608,000**	1,599,000
4% Second Mortgage Loan maturing 1972-82	**2,412,000**	2,398,000
4% Third Mortgage Loan maturing 1972-83	**2,412,000**	2,398,000
MASSEY-FERGUSON LANDINI S.p.A. (ITALY):		
9% Mortgage Loan maturing 1971-82 (repayable in U.S. dollars)	**1,933,000**	
MASSEY-FERGUSON INDUSTRIES LIMITED (CANADA):		
5⅞% Secured Promissory Note maturing 1971-85	**20,221,000**	20,438,000
MASSEY-FERGUSON INC. (U.S.A.):		
5¼% Promissory Notes maturing 1971-83	**25,500,000**	27,400,000
5⅞% Subordinated Notes maturing 1971-84	**26,040,000**	26,040,000
MASSEY-FERGUSON HOLDINGS LIMITED (UNITED KINGDOM):		
Unsecured Bank Loans bearing interest at a stated percentage above the Bank of England rediscount rate which was 7% at October 31, 1970:		
8½% (1½% above bank rate) maturing 1971	**10,158,000**	18,321,000
9% (2% above bank rate) maturing 1971-76	**6,095,000**	6,107,000
9½% (2½% above bank rate) maturing 1971-77	**6,095,000**	
7½% Unsecured Loan Stock maturing 1987-92	**29,875,000**	29,937,000
MASSEY-FERGUSON NEDERLAND N.V.:		
9% Guaranteed Sinking Fund Debentures maturing 1972-82 (repayable in U.S. dollars)	**20,000,000**	
MASSEY-FERGUSON REALTY CORPORATION (U.S.A.):		
8% Mortgage Loan maturing 1971-80 (interest charged at ½% above the prime rate which was 7½% at October 31, 1970)	**1,962,000**	
MASSEY-FERGUSON SERVICES N.V.:		
6½% Unsecured Bank Loan matured 1970		2,221,000
GENERAL EUROPEAN BANK LOAN:		
7½% Guaranteed Bank Loan maturing 1978-80 (repayable in German marks)	**11,000,000**	
OTHER LONG-TERM DEBT	**1,260,000**	889,000
	$180,075,000	$155,672,000

Sinking fund requirements and debt maturities during the next five years are as follows: 1971 — $20,073,000; 1972 — $8,493,000; 1973 — $8,941,000; 1974 — $9,935,000; 1975 — $9,794,000.

9. CONTINGENT LIABILITIES, COMMITMENTS, ETC.

(a) The total contingent liabilities relating to notes receivable discounted and bills guaranteed etc. were as follows — October 31, 1970 — $58,400,000; October 31, 1969 — $50,880,000.

(b) Under the subscription agreements relating to the senior and subordinated notes of the two North American finance subsidiaries and the trust agreement relating to certain of the short-term notes of the Canadian finance subsidiary, Massey-Ferguson Limited has agreed that it will ensure that assets are maintained in those companies in certain specified relationships with their indebtedness.

(c) Approved capital expenditure programs outstanding totalled approximately $23,000,000 at October 31, 1970 (including commitments of approximately $17,000,000).

(d) Pension costs (including payments to trustees on behalf of employees covered by trusteed pension plans) are charged against income in the year of payment. Past service costs in most trusteed plans are being funded over periods of up to 25 years; the remaining unfunded past service cost for all trusteed plans in effect at October 31, 1970 is estimated at approximately $48,000,000, including an estimated $36,000,000 which has been actuarially computed to have vested, but for which the companies do not have a legal obligation.

Massey-Ferguson Finance Company of Canada Limited
Massey-Ferguson Credit Corporation and its subsidiaries
Massey-Ferguson Export Finance Company Limited

COMBINED STATEMENT OF ASSETS AND LIABILITIES

October 31, 1970 (with comparative figures at October 31, 1969)
(In U.S. Dollars — Note 1)

	1970	1969
ASSETS		
Cash	**$ 2,777,000**	$ 2,892,000
Notes receivable (Note 2)	**304,216,000**	218,303,000
Prepaid expenses	**3,986,000**	3,920,000
Property leased to an affiliate (at cost less accumulated depreciation of $279,000)	**3,202,000**	2,341,000
	$314,181,000	$227,456,000
LIABILITIES		
Short-term notes payable — Banks	**$122,589,000**	$ 48,963,000
— Others	**54,356,000**	59,092,000
Due to affiliates	**5,331,000**	8,102,000
Dealer deposits	**4,694,000**	4,428,000
Accrued charges	**2,812,000**	2,328,000
Income taxes payable	**134,000**	670,000
Deferred income taxes	**5,226,000**	3,930,000
Long-term debt (Note 3) — Senior	**58,800,000**	49,000,000
— Subordinated	**28,090,000**	22,682,000
	282,032,000	199,195,000
Equity of Massey-Ferguson Limited and its subsidiaries:		
Share capital	**14,221,000**	13,821,000
Retained earnings (Note 3)	**17,928,000**	14,440,000
	32,149,000	28,261,000
	$314,181,000	$227,456,000

(See accompanying notes to combined statement of assets and liabilities)

NOTES TO COMBINED STATEMENT OF ASSETS AND LIABILITIES

October 31, 1970 (In U.S. Dollars—Note 1)

1. BASIS OF PRESENTATION

The accompanying statement combines the accounts of Massey-Ferguson Finance Company of Canada Limited, Massey-Ferguson Credit Corporation (U.S.A.) and its subsidiaries, and, in 1970 a new United Kingdom finance company, Massey-Ferguson Export Finance Company Limited. The 1970 statements are presented in U.S. dollars and the comparative figures for 1969 have been similarly restated. Reference is made to Note 2 to the Consolidated Financial Statements of Massey-Ferguson Limited.

The assets and liabilities of the Canadian and United Kingdom companies are included on the basis of current exchange rates and their share capital on the basis of rates prevailing at dates of issue. While the books of the Canadian and United States companies are maintained and their tax returns are filed on a cash receipt and disbursement method, the accompanying statement of assets and liabilities incorporates adjustments to reflect the financial position of the companies on an accrual basis of accounting.

2. RECEIVABLES

Receivables are shown net of the following provisions: Unearned interest and discount 1970 — $44,417,000, 1969 — $35,026,000; allowance for doubtful accounts 1970 — $1,669,000, 1969 — $1,633,000. Approximately $182,596,000 (before provisions) or 52 per cent of the notes receivable mature beyond one year.

3. LONG-TERM DEBT

Total Senior	**$58,800,000**	$49,000,000
Total Subordinated	**28,090,000**	22,682,000
Total Debt	**$86,890,000**	$71,682,000

(Repayable in currency of country indicated; maturity dates shown are for fiscal years ending October 31)

	October 31, 1970	October 31, 1969
Massey-Ferguson Finance Company of Canada Limited:		
9¾% Senior Debentures maturing 1980	**$ 9,800,000**	
8¾% Subordinated Notes maturing 1972-74	**1,960,000**	$ 1,858,000
8½% Subordinated Notes maturing 1975-84	**5,880,000**	5,574,000
Massey-Ferguson Credit Corporation (U.S.A.):		
5% Senior Note maturing 1971	**3,000,000**	3,000,000
7⅝% Senior Notes maturing 1973-88	**21,000,000**	21,000,000
5¼% Senior Notes maturing 1977-86	**25,000,000**	25,000,000
5½% Subordinated Notes maturing 1971-80	**10,000,000**	10,000,000
7⅞% Subordinated Notes maturing 1973-88	**5,250,000**	5,250,000
9¾% Subordinated Loan maturing 1975	**5,000,000**	
	$86,890,000	$71,682,000

Instalments due and maturities during the next five years are as follows:

1971 — $4,000,000; 1972 — $1,980,000; 1973 — $2,575,000; 1974 — $3,555,000; 1975 — $8,163,000.

In connection with the aforementioned debt, dividends may not be paid out of the $9,358,000 retained earnings accumulated prior to October 31, 1967.

GEOGRAPHICAL DISTRIBUTION OF ASSETS EMPLOYED

(MILLIONS OF U.S. DOLLARS)

	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
NORTH AMERICA	**$ 471.3**	474.9	426.6	427.5	355.9	297.0	260.2	237.7	216.9	220.4
EUROPE	**$ 405.1**	403.3	342.7	326.8	320.9	300.6	239.3	216.1	219.8	214.7
LATIN AMERICA	**$ 60.5**	61.3	43.5	45.4	43.1	29.1	26.2	23.1	17.2	11.9
AUSTRALIA	**$ 45.5**	47.9	39.9	40.9	41.6	39.9	35.7	28.7	27.8	26.3
AFRICA	**$ 27.0**	24.4	19.6	21.2	23.3	25.2	19.2	19.5	19.0	3.9
ASIA	**$ 2.3**	2.1	2.1	2.0	2.0	2.0	2.1	1.0	1.0	0.2
TOTAL	**$1,011.7**	1,013.9	874.4	863.8	786.8	693.8	582.7	526.1	501.7	477.4

financial review

BASIS OF CONSOLIDATION

The 1970 Consolidated Statement of Income includes the world-wide results of the operations of the company and all its subsidiaries. Associate companies (meaning those companies in which MF has a minority interest) and the wholly owned finance companies in North America and the United Kingdom have been shown as investments on the Consolidated Balance Sheet. The assets and liabilities of the finance companies have not been consolidated because of the significantly different nature of their operations. A combined statement of the assets and liabilities of the finance companies and their subsidiaries is shown on page 22 of this report. The investment in the finance companies is carried at the equity in their net assets; the net income of the finance companies has been shown on the consolidated statement of income. The investment in associate companies is carried at cost.

In prior years, the income and expenses of the North American finance companies had been spread throughout the income statement in the appropriate lines. In 1970, for the purpose of a clearer statement, we show

STATISTICAL SUMMARY *(All Dollars in Millions U.S. Except Per Share Statistics)*

	BUSINESS ACTIVITY				OPERATING SUMMARY				
					Manufacturing Companies				
							Before Income Taxes and Exchange		
Year	Number of Employees at Year End	Total Assets	Net Sales	Asset Turnover	Gross Profit	Gross Margin	Profit (Loss)	Margin	Income Taxes
1961	38,834	$ 477.4	$502.2	105.2%	$104.6	20.8%	$19.5	3.9%	$ (9.6)
1962	40,121	501.7	551.4	109.9	118.2	21.4	25.9	4.7	(12.4)
1963	41,700	526.1	634.3	120.6	143.1	22.6	36.4	5.7	(15.4)
1964	44,072	582.7	714.1	122.6	168.4	23.6	55.4	7.8	(13.3)
1965	46,324	693.8	747.9	107.8	164.5	22.0	38.9	5.2	(4.9)
1966	45,907	786.8	862.2	109.6	194.2	22.5	53.1	6.2	(14.2)
1967	44,204	863.8	844.8	97.8	183.1	21.7	32.6	3.9	(9.9)
1968	46,049	874.4	848.0	97.0	195.7	23.1	37.1	4.4	(12.2)
1969	50,429	1,013.9	969.4	95.6	219.8	22.7	39.6	4.1	(12.1)
1970	**47,386**	**1,011.7**	**937.9**	**92.7**	**186.1**	**19.8**	**(21.0)**	**(2.2)**	**(1.3)**

	LIQUIDITY		CHANGES IN FIXED ASSETS				SOURCE OF ASSETS		
							Liabilities		
Year	Net Current Assets	Current Ratio	Depreciation of Buildings and Equipment	Amortization of Tooling	Total Depreciation and Amortization	Additions	Current	Other	Shareholders' Equity
1961	$173.5	1.9	$13.3	$5.1	$18.4	$24.8	37.7%	20.8%	41.5%
1962	175.5	1.9	14.2	4.5	18.7	20.0	38.2	20.0	41.8
1963	231.6	2.6	14.3	4.5	18.8	27.1	28.8	26.0	45.2
1964	245.2	2.4	15.7	5.6	21.3	38.0	29.6	23.7	46.7
1965	254.2	2.0	17.1	6.9	24.0	43.5	36.7	19.7	43.6
1966	337.6	2.4	18.9	9.1	28.0	47.0	30.8	18.5	50.7
1967	327.2	2.1	21.3	8.8	30.1	49.2	34.0	18.8	47.2
1968	331.5	2.1	23.5	8.0	31.5	30.6	34.5	17.8	47.7
1969	330.4	1.8	23.7	7.4	31.1	38.4	42.2	15.2	42.6
1970	**291.3**	**1.7**	**23.1**	**7.4**	**30.5**	**42.9**	**43.7**	**17.3**	**39.0**

(The U.S. dollar figures shown for the years 1961 to 1968 and the trends indicated are considered to be accurate although the translation of the financial statements upon which the data is based has not been subjected to external audit.)

the net income of the finance subsidiaries after taxes as a one-line item immediately prior to the net loss. 1969 has been restated on this basis.

REPORTING IN U.S. DOLLARS

The accompanying financial statements for 1970 are presented in U.S. dollars, and the 1969 comparative figures have been restated on the same basis. Similarly the various statistical tables and related charts have been converted to U.S. dollars. The reasons for the change in the basis of reporting are set out in Note 2 to the Consolidated Financial Statements.

OTHER INCOME

The increase in this category of income by $0.5 million to $13.5 million is the result of increased interest income offset in part by reduced profit on disposal of capital assets. The increase in interest income is chiefly the result of higher interest earned on dealers' accounts, net of a slight decrease in dividend income received from associate companies. The profit on disposal of capital

	Net Income (Loss)			SHAREHOLDERS' EQUITY		INCOME DISTRIBUTION				
xchange	Manufacturing Companies	Finance Companies	Total	Total	Return on Equity	Dividends on Preferred Shares	Net Income (Loss) for Common Shares	Dividends on Common Shares	Income Retained	Year
$4.6	$14.5	$0.1	$14.6	$198.1	7.4%	$1.4	$13.2	$ 4.7	$ 8.5	1961
2.2	15.7	1.0	16.7	209.7	8.0	1.3	15.4	4.5	10.9	1962
(0.2)	20.8	1.1	21.9	237.8	9.2	1.3	20.6	6.1	14.5	1963
(1.8)	40.3	1.3	41.6	272.1	15.3	0.6	41.0	7.5	33.5	1964
0.8	34.8	2.1	36.9	302.5	12.2		36.9	12.5	24.4	1965
(0.2)	38.7	2.4	41.1	398.9	10.3		41.1	16.1	25.0	1966
—	22.7	2.8	25.5	407.7	6.3		25.5	16.7	8.8	1967
(1.3)	23.6	2.7	26.3	417.3	6.3		26.3	16.7	9.6	1968
0.2	27.7	2.5	30.2	431.5	7.0		30.2	16.9	13.3	1969
(0.9)	**(23.2)**	**3.5**	**(19.7)**	**394.5**	**(5.0)**		**(19.7)**	**17.3**	**(37.0)**	**1970**

SHAREHOLDERS	Shares Outstanding		PER COMMON SHARE					
Shareholders	Preferred	Common	Sales	Net Income (Loss)	Dividends	Income Retained	Equity	Year
40,089	259,610	12,200,868	$41.16	$1.08	$0.39	$0.69	$14.18	1961
40,359	254,834	12,268,599	44.94	1.26	0.37	0.89	15.17	1962
40,363	254,748	13,495,948	47.00	1.53	0.45	1.08	15.90	1963
33,799		14,820,038	48.18	2.77	0.51	2.26	18.36	1964
34,884		15,059,025	49.66	2.45	0.83	1.62	20.09	1965
40,186		18,129,314	47.56	2.27	0.89	1.38	22.00	1966
42,304		18,130,670	46.60	1.41	0.92	0.49	22.49	1967
43,527		18,130,670	46.77	1.45	0.92	0.53	23.02	1968
39,694		18,195,450	53.28	1.66	0.93	0.73	23.72	1969
45,744		**18,195,450**	**51.55**	**(1.08)**	**0.95**	**(2.03)**	**21.68**	**1970**

assets has declined by $1.7 million. In 1969, we received a large profit from the disposal of capital assets related to property rights near Toronto, Canada. There was no similar income in 1970.

COSTS

The cost of goods sold increased from 77.3 per cent to 80.2 per cent of sales. This resulted from production disruptions, lower volumes in Canada and the United States due to reductions in dealer receivables, inflationary pressures in most countries coupled with government-imposed price ceilings and intense competition, and reduced combine sales which traditionally have shown a higher profit margin than other major products. Marketing and general and administrative expenses have increased by a net of $10.0 million. Added expenses during the year arose primarily from inflation, the new company in Argentina and increased financial merchandising expenses in North America related to the difficult market. Offsetting these additions were actions initiated throughout the year to reduce costs, which have yielded savings in 1970 of almost $6.0 million. These actions will have a larger benefit in 1971. Long-term interest expense rose by $2.5 million during the year, largely as the result of increased long-term debt outstanding. Interest on short-term debt rose by more than 50 per cent from $23.1 million to $37.3 million, reflecting more short-term borrowing and higher prime short-term interest rates throughout the world.

EXCHANGE ADJUSTMENT

Financial statements of subsidiary companies outside the United States are prepared in local currency and translated into U.S. dollars following generally accepted accounting principles of exchange translation. Exchange rates prevailing on October 31 were used to translate net working capital and long-term debt; rates prevailing at time of acquisition were used for translation of investments, fixed assets and depreciation provisions. Income and expense items (other than depreciation provisions) were translated at average exchange rates prevailing throughout the year.

The floating of the Canadian dollar at the end of May was the major exchange factor affecting the company in 1970. The Argentine peso was devalued by 14.3 per cent in June. The Brazilian Government has continued to follow its policy of numerous but relatively small devaluations, resulting in a total devaluation of 12.1 per cent during the fiscal year 1970.

INCOME TAXES

As explained in Note 5 to the Consolidated Financial Statements, Massey-Ferguson and its subsidiary companies follow the tax allocation principle of providing for income taxes. Income taxes of $1.3 million for the year are significantly reduced from 1969. In 1970, while a consolidated loss is reported, many subsidiary companies operated profitably and in those cases, it was necessary to provide income taxes at normal rates on reported profits. Certain jurisdictions permit a carry-back of losses which reduced the tax charge for 1970 before special credits.

In addition, the 1970 income tax charge has benefited from tax recovery debits (as explained in Note 5) in respect of losses to the extent of unclaimed capital cost allowances, in those companies where management believes future earnings will be sufficient to realize them.

FINANCE COMPANIES

The combined profit of the finance companies includes a minor amount from Massey-Ferguson Export Finance Company Limited, which commenced operation in the United Kingdom too late in the year to make any significant profit contribution.

Notes receivable increased by $85.9 million to $304.2 million. About one-third of this increase is the result of the new Export Finance Company.

Long-term debt increased by $15.2 million. During 1970, $9.8 million of 9¾ per cent senior debentures maturing in 1980 were issued by the Canadian finance company and a $5.0 million 9¾ per cent subordinated loan maturing in 1975 was issued by the U.S. finance company. Long-term debt of $4.0 million matures in 1971.

WORKING CAPITAL

The current ratio declined to 1.7 to 1 compared with 1.8 to 1 last year. As indicated in the Consolidated Statement of Source and Use of Funds, funds totalling $89.6 million were used in 1970. This was $39.1 million greater than the sources of funds and resulted in a reduction of working capital by this amount during the year.

Inventories increased by $60.8 million during the year. The abnormal production losses throughout the year due to wildcat strikes seriously impaired control of inventories and made it impossible to reduce year-end inventories from the 1969 levels, as had been planned. Cost inflation added about $27 million to total inventories and accounted for virtually all the increase in raw material and work-in-process. In finished goods, the number of units in inventory rose because repeated wildcat strikes

IRV
Could you give me another paragraph

at company and supplier factories resulted in production in some cases being completed after the selling season and because of the carry-over of combines due to low wheat prices, weather and the general economic situation in many countries. The increased size and value of machinery—"product mix"—increased the average value per unit, in aggregate $8 million.

Receivables decreased by $83.7 million, more than offsetting the increase in inventory of $60.8 million. The major factor in the reduction of receivables was the planned reduction in dealer inventories in North America as described elsewhere in this Report. In addition, the receivables were reduced due to the lower sales levels in the fourth quarter and the establishment of the Export Finance Company in the United Kingdom.

Bank borrowings increased by $26.6 million, while taxes payable decreased by $18.1 million.

INVESTMENTS IN ASSOCIATE COMPANIES

These investments consist entirely of shares at original cost. In total, there are 12 companies, but only in six of these does the investment exceed $1 million. Of these six, the ownership varies from 24 per cent to 49 per cent. Almost half the entire investment in associate companies consists of an investment in Motor Iberica S.A. in Spain. No advances have been made to associate companies. The largest portion of the $3.3 million increase in this category comes from the purchase of a 30 per cent interest in Eicher GmbH., a German manufacturer of tractors.

Sales by associate companies exceeded $240 million for the year. The consolidated statements do not include these sales or Massey-Ferguson's share of the related income. Dividends from associate companies are included in "Interest and sundry income". There was a slight decline in dividend income during 1970 as the result of lower profits in the Spanish operations in spite of increased sales. Sales gained 1 per cent while profit declined to $3.2 million from $5.1 million in 1969.

CAPITAL EXPENDITURES

in 1970

Capital expenditures were held to $42.9 million compared to the $55.0 million originally scheduled. The capital outlay in 1969 was $38.4 million.

Additional phases of major programs initiated in prior years were completed in 1970. These included expansion of facilities for manufacturing industrial and construction machinery at Knowsley in the United Kingdom, Aprilia in Italy, and at Akron in the United States. The Engines Group completed the facility for the assembly of Perkins engines near Detroit in the United States, continued to increase its capacity for manufacturing a new range of 4, 6 and 8 cylinder engines at Peterborough in the United Kingdom, and expanded its engineering test facilities also at Peterborough. Facilities improvements were made at plants in Detroit, Coventry in the United Kingdom and Beauvais in France to accommodate production of larger tractors and changes to the existing product line. At Kilmarnock in the United Kingdom, facilities have been rearranged and updated to produce a new range of combines.

Increased capacity for tractor production and facilities for local assembly of combines and crawler tractors were being provided in Brazil to meet the substantially increased demands and local content commitments.

In addition to the expenditures for facilities, machinery and equipment, $11.0 million was spent for production tooling for new products. These products include tractors of larger horsepower, 4-wheel-drive tractors, major improvements and safety features to the existing tractor line, new combines for Europe, Australia and North America, new industrial and construction machinery, such as the skidder, and new engines.

The capital expenditures in 1971 will be directed at completing strategic new product programs, facilities modifications, essential equipment replacement, moderate expansion of facilities in Brazil and the production of MF tractors in Argentina. In addition, the rationalization of manufacturing facilities will be continued with the objective of reducing operating costs. It is planned to restrict capital expenditures in 1971 to about $35 million.

PROVISION FOR DEPRECIATION OF FIXED ASSETS AND AMORTIZATION OF PRODUCTION TOOLING

Depreciation of facilities is provided at rates that have been designed to write off these assets over a conservatively estimated useful life. Production tooling for a new product or a major product change is generally amortized over a three-year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements and for minor product changes is charged against income at the time of purchase. In countries where "declining balance" depreciation is allowed for income tax returns, such allowances are claimed but unless prevented by government regulations, the books are maintained on a "straight line" method of depreciation.

Depreciation and amortization in 1970 amounted to $30.5 million compared with $31.1 million in 1969. The

lower figure for the current year results from the fact that our U.K. tractor manufacturing facilities were acquired in 1959. This reduction amounted to $2.3 million and was partially offset by increases in other operation units.

OTHER ASSETS AND DEFERRED CHARGES

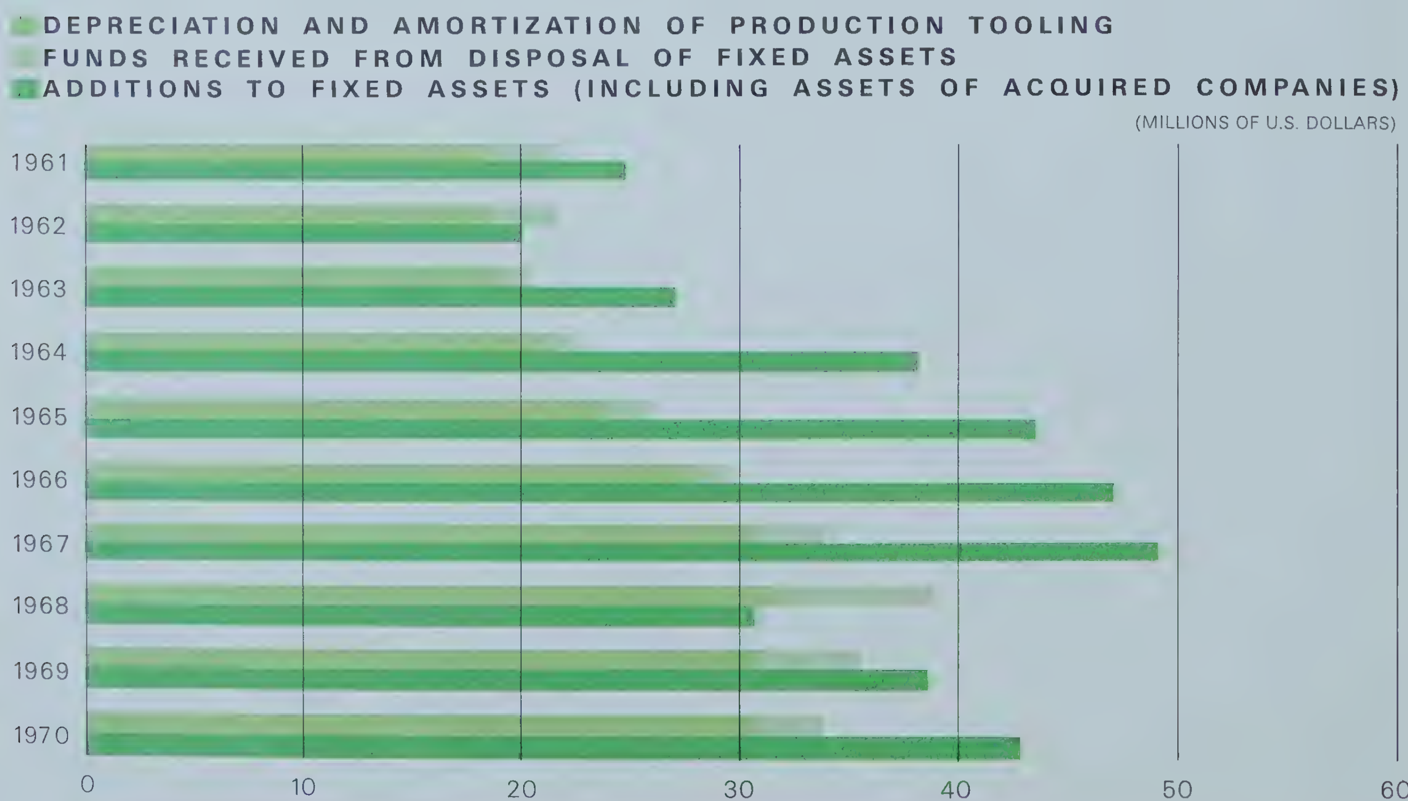
The major cause of the increase of $5.2 million to $19.5 million was the inclusion in this category of certain tax debits which are explained in Note 5. Also included are the moving and relocation costs related to factory rationalization programs, unamortized underwriting and other expenses related to debt issues, and good-will on the acquisition of subsidiaries. Each is being written off to expense over periods of four to ten years as considered appropriate.

LONG-TERM DEBT

During the year, the $5.6 million 5¾ per cent first mortgage debenture matured in Australia and was partially refunded by means of a $2.5 million 9½ per cent first mortgage debenture maturing in 1985. Early in the year, a $20.0 million 9 per cent guaranteed sinking fund debenture was issued in the Eurobond market by Massey-Ferguson Nederland N.V., Massey-Ferguson Landini in Italy issued a 9 per cent mortgage loan maturing 1971-82 in the amount of $1.9 million and Massey-Ferguson Realty Corporation in the United States issued an 8 per cent mortgage loan maturing 1971-80 in the amount of $2.0 million. In the United Kingdom, to replace loans maturing in 1970, Massey-Ferguson Holdings Limited negotiated a new 7-year loan at a floating rate 2½ per cent above the Bank of England rediscount rate. In Europe, an amount of $11.0 million, in the form of a 7½ per cent guaranteed loan, was drawn down against a stand-by agreement with one of our banks. In total $45.5 million of new long-term debt was issued and $22.4 million of long-term debt was repaid. A further $20.1 million of long-term debt falls due during 1971.

MINORITY INTERESTS

Minority shareholders have a $13.8 million interest in seven of our subsidiaries, their share varying from less than 1 per cent up to 49.4 per cent. Only three of the subsidiaries have a significant minority interest in terms of dollar value: Motores Perkins S.A., Brazil, Massey-Ferguson Holdings (Australia) Limited and Massey-Ferguson (South Africa) Limited. These three account for $13.0 million of the $13.8 million total.



retail control in north american operations

The public financial reporting practice in the farm and industrial machinery industry, as well as in most other capital goods businesses in North America, is to record sales and profits at the time the product is sold to a dealer. At the moment, industry practice with respect to farm machinery and industrial equipment dealer inventory is to grant interest-free deferred payment terms of up to 23 months (two selling seasons) for highly seasonal machines, and 12 months for non-seasonal machines. The dealer is, however, committed to settle with the company as soon as he sells the product to the final customer (i.e., a retail sale). Under these circumstances, management performance is obviously best measured in terms of sales to the final customer, not to the dealer. Industry practice, however, has the effect of diverting management attention to wholesale sales, thus tending to dilute the essential controls on dealer inventory. Primary control based on retail sales ensures closer surveillance of dealer inventory levels and production scheduling.

Massey-Ferguson's 1969 Annual Report stated that action would be taken to reduce the level of dealer inventory in Canada and the United States. In order to achieve substantial reduction in dealers' inventories in 1970, the following consideration was basic to our method:

A significant reduction in the interest-free deferred payment period to the dealer would impose financial burden on our dealers which could not be met. The resulting manufacturing and distribution constraints to Massey-Ferguson thus incurred would significantly alter fixed asset investment requirements in plant, equipment and warehousing facilities.

The company, therefore, chose to have management concentrate its attention, along with its dealers, on the retail market. Such an approach established consistent motivation and discipline of company and dealer personnel, resulting in reduction of dealer inventory levels and therefore shorter terms. The improved manufacturing and distribution practices which are now possible will enable management to plan operations more effectively to accomplish the company's longer term growth and profit objectives. Outside North America, Massey-Ferguson has never granted extensive interest-free floor plan terms to its dealers and distributors.

In 1970, North American management was able to reduce dealer receivables of new farm and industrial machinery by $47 million, or 30 percent, from 1969, while improving retail sales. Company-held inventories were approximately the same, thus providing adequate support to the sharply reduced dealer inventories. The total benefit in terms of the level of asset utilization was highly favourable. It is anticipated that further reductions in combined receivables and inventories will be made in 1971.

The effects of this reduction in current assets are numerous, but basically they are three: funds have been freed for more productive purposes; a reduced level of interest charge will be incurred; and dealer effectiveness is improved. Each of these benefits places the company and our dealers in a stronger position to take advantage of market opportunities.

In summary, by concentrating on retail sales accomplishment and its control systems, management priorities are directed specifically to the generally supported concept that it is the final sale that counts.

Having found the retail control system useful from the management standpoint, consideration is being given to the possibility of providing public financial reports on this basis. There are difficulties involved in effecting a change in the method of reporting, among which is the fact that the practice of the farm and industrial machinery industry is to report on a wholesale basis. We and our advisors will continue to explore this matter. But for internal purposes, management performance in our North American Operations will continue to be measured by retail achievement.

The MF880 is one of a family of new plows designed for non-stop, high-speed plowing in difficult conditions. The hydraulic re-set feature automatically returns a plow bottom to working position after it has ridden up, undamaged, over an obstruction.

MF products for the leisure market

Sales of Massey-Ferguson recreation equipment rose to $26.5 million in 1970, a gain of better than 50 per cent over the previous year. Several models were added to the 1971 line of bright red Ski Whiz snowmobiles and lawn and garden tractors.

SNOWMOBILES

Snowmobiling continues to soar in popularity as a family sport in the Northern United States and Canada. Thousands are now able to take advantage of the wilderness sightseeing and adventure previously unavailable because of the snow. But there's more than that to this machine. It is also a valuable aid to farmers and law enforcement and disaster agencies.

Massey-Ferguson began the season with four basic models and added another, sportier, machine later. The 1970-71 machines are the quietest ever produced by MF and, with the lowest center of gravity in the industry, are exceptionally stable.

LAWN AND GARDEN TRACTORS

Massey-Ferguson broadened its lawn and garden line by adding two riding mowers and two walking mowers. The riding mowers are powered by 5- and 6-horsepower engines and give Massey-Ferguson a total of five basic units in the lawn and garden field. Already on the market were three tractors, ranging from 7 to 12 horsepower and a line of some 40 attachments, including mowers, snow throwers, trailers, cultivators, tillers and harrows.

The four models in the new family of Ski Whiz snowmobiles for the 1970/71 season ranges from the 18.5 horsepower 300S to the 28.3 horsepower 500SST, capable of speeds to 55 miles-per-hour.

Two machines designed specifically for moving snow were introduced in North American markets for the 1970/71 season. The hand-propelled power snow shovel, weighing only 27 pounds, will clear a 14-inch path while the 7 horsepower, power-driven snow blower will clear a 26-inch path.

MF's line of lawn and garden equipment was increased to include two new riding mowers and two walking mowers, shown at left and right. Among the additional attachments to the garden tractors (center) offered this year is a kit which converts them to golf carts.

MF board members—affiliations

Albert A. Thornbrough
President and Chief Executive Officer
Director and Member Executive Committee—Canadian Imperial Bank of Commerce.
Director—Argus Corporation Limited.
Governor—University of Guelph.

E. P. Taylor
Chairman, Executive Committee
President—The New Providence Development Company Limited.
Director—Argus Corporation Limited, The Royal Bank of Canada, Domtar Limited, Bass Charington Ltd., RoyWest Banking Corporation Ltd., Trust Corporation of Bahamas Ltd.

The Marquess of Abergavenny
Director—Lloyds Bank Limited.
President—Royal Agricultural Society of England, 1967.
Deputy President—Royal Agricultural Society of England, 1968.
President—Royal Association of British Dairy Farmers, 1955 and 1963.
President—South of England Agricultural Society, 1970.
President—British Horse Society, 1970.

Henry Borden, Q.C.
Director—British Newfoundland Corporation Limited, The Bell Telephone Co. of Canada, IBM Canada Ltd., Brascan Limited.
Hon. Chairman, Board of Governors—University of Toronto.
Hon. President—Royal Agricultural Winter Fair, Canada, 1970.

H. J. Carmichael
Director—Continental Can Co. of Canada Ltd., Argus Corporation Limited, Canada Permanent Trust Company, Hayes Dana Ltd.

Lord Crathorne
Privy Councillor—United Kingdom.
Minister of Agriculture and Fisheries, 1951-54.
Past Vice President—Council of Europe.
President—NATO Parliamentarians Conference, 1963, Yorkshire Agricultural Society, 1967, Teeside Branch, Institute of Directors.

Hon. Leslie M. Frost, C.C., Q.C.
Vice President and Director—Bank of Montreal.
Director—Lever Brothers Limited, The Canada Life Assurance Company, Corporate Investors Limited.
Member of Privy Council.
Chancellor—Trent University.
Premier of Ontario, 1949-61.

Charles L. Gundy
Chairman—Wood Gundy Securities Limited.
Director—Simpsons Limited, Simpsons-Sears Limited, Abitibi Paper Co. Ltd., Domtar Limited, Canada Cement Lafarge Ltd., Canron Limited, Dominion Life Assurance Company, United Corporations Limited.
Chairman—Hospital for Sick Children, Toronto.

Gilbert W. Humphrey
Chairman—The Hanna Mining Company.
Chairman, Executive Committee—National Steel Corporation.
Director—General Electric Company, General Reinsurance Corporation, The National City Bank of Cleveland, Texaco Inc., Algoma Steel Corporation Limited, Sun Life Assurance Company of Canada.

John D. Leitch
President—Upper Lakes Shipping Ltd.
Director—Dominion Foundries and Steel, Ltd., Canada Life Assurance Company, American Airlines Inc., Canadian Imperial Bank of Commerce.
Governor—York University.

A. Bruce Matthews
Chairman—Canada Permanent Mortgage Corporation; Canada Permanent Trust Company; The Excelsior Life Insurance Company.
Executive Vice President and Director—Argus Corporation Limited.

John A. McDougald
President—Argus Corporation Limited.
Chairman of the Board and Chairman of the Executive Committee—Dominion Stores Limited.
Chairman of the Executive Committee and Vice President—Hollinger Mines Limited.
Director and Member of the Executive Committee—Canadian Imperial Bank of Commerce.

Maxwell C. G. Meighen
Chairman—Canadian General Investments Ltd.
Vice President—The Canada Trust Company.
Director—The Algoma Steel Corp., Ltd.
Vice President and Director—Argus Corporation Limited.

John E. Mitchell
Group Vice President Industrial and Construction Machinery—Massey-Ferguson Limited.
Director—Akron National Bank, Farm and Industrial Equipment Institute, National Association of Manufacturers.
Trustee—Akron General Hospital.
Member—Greater Des Moines Committee.

M. I. Prichard
Group Vice President Engines—Massey-Ferguson Limited.
Chairman—National Marketing Council, United Kingdom, 1964-69.
Member—British National Export Council.
Vice President—Society of Motor Manufacturers and Traders.

John G. Staiger
Senior Vice President Corporate Administration—Massey-Ferguson Limited.
Member of the Board and Executive Committee—Iowa Methodist Hospital.
Member, Board of Trustees—Canadian Opera Company, Simpson College, Equitable Life Insurance Company of Iowa.

Thomas M. Ware
Former Chairman—International Minerals & Chemical Corporation.
Trustee—American Freedom From Hunger Foundation.
Advisory Board—Bankers Trust Company.

Colin W. Webster
Vice Chairman—Canadian Fuel Marketers Ltd.
Director—Sun Life Assurance Company of Canada, The Royal Bank of Canada, Dominion Textile Company Ltd.
Governor—McGill University.

world-wide sales statistics

NET SALES BY TERRITORIES
(MILLIONS OF U.S. DOLLARS)

	1970		1969	1968	1967	1966	1965	1964	1963	1962	1961
	% of Total	Amount $	$	$	$	$	$	$	$	$	$
NORTH AMERICA											
CANADA	*7.0*	**65.2**	79.9	66.8	84.4	89.1	82.5	75.6	70.8	58.1	50.8
UNITED STATES	*26.4*	**247.8**	285.9	256.6	263.1	268.5	208.4	174.2	154.0	134.2	132.2
TOTAL	*33.4*	**313.0**	365.8	323.4	347.5	357.6	290.9	249.8	224.8	192.3	183.0
EUROPE											
UNITED KINGDOM	*12.2*	**114.3**	106.1	95.5	95.1	95.6	83.8	88.2	84.9	72.8	73.8
FRANCE	*9.4*	**88.5**	110.7	93.1	89.0	95.3	85.9	85.3	74.2	66.3	60.2
WEST GERMANY	*6.2*	**57.8**	47.5	35.6	28.8	43.1	42.7	43.6	34.8	36.0	33.1
ITALY	*4.5*	**41.8**	37.3	30.9	28.6	25.4	22.4	19.1	18.1	13.4	7.3
SCANDINAVIA	*4.2*	**39.7**	34.7	29.7	33.3	38.5	34.3	35.0	29.2	35.1	30.7
BENELUX	*1.2*	**11.6**	8.4	7.6	6.7	10.3	8.2	7.4	5.4	6.9	6.4
AUSTRIA	*0.9*	**8.2**	6.0	5.5	6.2	7.0	5.4	4.3	4.5	5.6	4.4
SPAIN	*0.9*	**8.1**	9.0	4.1	5.3	4.4	3.3	3.7	4.7	5.7	2.2
PORTUGAL	*0.5*	**5.0**	4.0	3.5	1.9	3.9	2.3	1.4	1.0	1.2	1.1
SWITZERLAND	*0.3*	**3.2**	2.8	2.0	1.8	1.6	1.1	1.5	1.1	1.4	1.2
OTHER	*0.6*	**5.8**	4.7	5.0	5.0	4.1	5.1	6.2	3.7	3.8	6.2
TOTAL	*40.9*	**384.0**	371.2	312.5	301.7	329.2	294.5	295.7	261.6	248.2	226.6
LATIN AMERICA											
BRAZIL	*6.3*	**58.8**	43.0	38.0	20.5	24.4	19.4	28.7	19.0	9.9	5.6
MEXICO	*1.2*	**11.7**	11.8	10.3	11.8	9.6	7.5	6.2	4.6	3.9	2.9
ARGENTINA	*1.0*	**9.6**	3.8	2.2	2.9	1.6	2.1	2.7	1.5	1.3	1.7
OTHER	*1.6*	**14.7**	11.5	10.5	7.5	9.8	9.1	11.1	8.9	8.9	7.9
TOTAL	*10.1*	**94.8**	70.1	61.0	42.7	45.4	38.1	48.7	34.0	24.0	18.1
AFRICA											
REPUBLIC OF SOUTH AFRICA	*4.1*	**38.0**	38.9	35.2	33.9	26.1	28.8	30.0	26.3	20.4	11.4
ALGERIA	*0.4*	**4.2**	8.0	6.7	4.7	2.6	2.0	1.6	2.0	0.8	2.1
OTHER	*2.8*	**26.5**	21.1	16.3	15.4	14.3	13.2	9.8	11.5	7.7	6.0
TOTAL	*7.3*	**68.7**	68.0	58.2	54.0	43.0	44.0	41.4	39.8	28.9	19.5
AUSTRALASIA	*4.7*	**43.9**	55.3	59.8	57.8	53.4	51.2	53.4	43.9	35.9	33.5
ASIA											
JAPAN	*0.6*	**5.4**	4.3	3.3	3.2	2.5	1.6	1.6	1.6	1.1	0.9
PAKISTAN	*0.4*	**4.0**	4.0	1.6	6.1	2.4	1.8	2.2	1.7	1.5	1.3
TURKEY	*0.4*	**3.9**	10.0	12.2	13.6	10.2	6.8	5.8	9.6	3.1	1.5
INDIA	*0.3*	**3.1**	1.9	1.3	2.0	3.5	4.6	3.0	3.5	3.8	5.2
OTHER	*1.9*	**17.1**	18.8	14.7	16.2	15.0	14.4	12.5	13.8	12.6	12.6
TOTAL	*3.6*	**33.5**	39.0	33.1	41.1	33.6	29.2	25.1	30.2	22.1	21.5
TOTAL	*100.0*	**937.9**	969.4	848.0	844.8	862.2	747.9	714.1	634.3	551.4	502.2

NET SALES BY QUARTERS—ENDED
(MILLIONS OF U.S. DOLLARS)

	1970 % of Total	1970 Amount $	1969	1968	1967	1966	1965	1964	1963	1962	1961
JANUARY 31	*18.4*	**172.8**	158.8	153.3	150.2	166.0	128.4	134.5	102.1	89.4	83.9
APRIL 30	*26.7*	**250.7**	248.2	224.3	248.4	244.0	178.6	201.9	175.2	154.6	137.1
JULY 31	*25.1*	**234.9**	265.7	207.4	218.8	222.0	216.8	206.6	167.0	142.6	129.3
OCTOBER 31	*29.8*	**279.5**	296.7	263.0	227.4	230.2	224.1	171.1	190.0	164.8	151.9
TOTAL	*100.0*	**937.9**	969.4	848.0	844.8	862.2	747.9	714.1	634.3	551.4	502.2

NET SALES BY PRODUCTS
(MILLIONS OF U.S. DOLLARS)

	1970 % of Total	1970 Amount $	1969	1968	1967	1966	1965	1964	1963	1962	1961
FARM MACHINERY											
TRACTORS	*35.3*	**331.0**	339.6	317.8	335.6	359.8	294.0	293.5	275.8	243.5	219.5
GRAIN HARVESTING	*10.6*	**99.4**	148.5	135.6	140.6	145.7	131.5	118.7	89.7	77.5	81.6
HAY HARVESTING	*2.8*	**26.1**	30.1	26.2	27.2	32.1	32.4	32.0	31.5	27.6	25.1
OTHER PRODUCTS	*10.6*	**99.6**	94.6	83.2	87.0	80.1	71.9	60.0	53.2	46.0	45.3
TOTAL	*59.3*	**556.1**	612.8	562.8	590.4	617.7	529.8	504.2	450.2	394.6	371.5
ENGINES											
GROSS SALES	—	**203.2**	182.9	150.9	143.2	147.7	136.0	137.7	117.9	104.2	80.5
DEDUCT MF	—	**57.8**	55.8	48.2	49.3	56.2	48.2	50.8	42.7	38.7	29.8
DEDUCT PARTS	—	**23.8**	22.2	18.1	15.4	15.3	13.3	9.2	8.9	7.4	7.3
TOTAL (NET)	*13.0*	**121.6**	104.9	84.6	78.5	76.2	74.5	77.7	66.3	58.1	43.4
INDUSTRIAL AND CONSTRUCTION MACHINERY	*13.6*	**128.1**	128.0	88.6	73.3	69.3	54.4	49.0	41.3	33.2	26.5
PARTS	*14.1*	**132.1**	123.7	112.0	102.6	99.0	89.2	83.2	76.5	65.5	60.8
TOTAL	*100.0*	**937.9**	969.4	848.0	844.8	862.2	747.9	714.1	634.3	551.4	502.2

factories, products manufactured

MF

FARM MACHINERY AND INDUSTRIAL AND CONSTRUCTION MACHINERY GROUPS

ARGENTINA
ROSARIO (215,000 sq. ft.) — Agricultural Tractors.

AUSTRALIA
BENDIGO (46,000 sq. ft.) — Spare Parts; Components.
BUNDABERG (43,000 sq. ft.) — Sugar Cane Harvesters; Cane Planters; Spinner Weeders; Toolbar Cultivators; Weeder. Rakes; Root Rakes; Cane Strippers; Rippers; Universal Rakes.
MELBOURNE (Sunshine) (1,544,000 sq. ft.) — Combines; Mowers; Drills; Hay Rakes; Foragers; Tillers; Cultivators; Harrows; Bale Loaders; Plows; Spinner Broadcasters; Post-hole Diggers; Jib Cranes; Toolbar Planters; Earth Scoops; Multipurpose Blades; Cordwood Saws; Scarifiers; Subsoilers; Transporters; Rotary Cutters; Pressed Steel Chain; Bright Steel Shafting; Loaders; Dozer Blades.

BRAZIL
PORTO ALEGRE, (109,000 sq. ft.) — Combines; Plows; Disc Harrows; Planters; Rotary Cutters; Blade Terracers; Cultivators; Trailers.
SAO PAULO (176,000 sq. ft.) — Agricultural and Industrial Tractors.

CANADA
BRANTFORD (North American Combine Plant) (807,000 sq. ft.) — Combines; Combine Cabs; Manure Spreaders.
BRANTFORD ("M" Foundry) (192,000 sq. ft.) — Castinqs.
BRANTFORD (Verity Plant) (523,000 sq. ft.) — Plows; Harrows; Subsoilers; Mowers; Side Delivery Rakes; Tillers; Cultivators; Wheeled Hitches; Hay Conditioners; Planters; Grain Boxes; Grain Drills; Components.
MONTREAL (115,000 sq. ft.) — Wooden Office Furniture.
TORONTO (2,021,000 sq. ft.) — Balers; Swathers; Pick-ups; Grain Drills; Components.
WATERLOO (286,000 sq. ft.) — Full line of Steel Office Furniture; Steel Shelving and Lockers; Steel Garage Doors; Steel Stampings; Tractor and Combine Seats.

DENMARK
LANGESKOV (20,000 sq. ft.) — Plows; Cultivators.

FRANCE
BEAUVAIS (663,000 sq. ft.) — Agricultural Tractors.
MARQUETTE (964,000 sq. ft.) — Combines; Balers; Mowers; Tillers; Cultivators; Trailers; Castings.

GERMANY
ESCHWEGE (587,000 sq. ft.) — Combines; Mounted Presses and Straw Choppers for Combines; Roller Chain; Gearboxes; Gears; other Components.

ITALY
APRILIA (600,000 sq. ft.) — Wheel Loaders; Crawler Tractors; Hydraulic Excavators.
COMO (115,000 sq. ft.) — Diesel Engines; Tractor Components.
FABRICO (380,000 sq. ft.) — Agricultural Wheel and Crawler Tractors.

MALAWI
BLANTYRE (12,000 sq. ft.) — Hoes; Animal Draft Implements.

MEXICO
NAUCALPAN de JUAREZ (43,000 sq. ft.) — Tool Carriers and Attachments; Cultivators; Blades; Disc Plows; Harrows.

RHODESIA
BULAWAYO (56,000 sq. ft.) Animal Draft Implements; Hoes; Groundnut Shellers.

SOUTH AFRICA
VEREENIGING (440,000 sq. ft.) — Tractor Accessories; Plows; Harrows; Cultivators; Tillers; Maize, Cotton and Peanut Planters; Toolbars; Earth Scoops; Subsoilers; Multipurpose Blades; Combination Cutter Hammermills; Rotary Cutters; Hay Rakes; Graders; Grain and Fertilizer Boxes; Bulldozer Attachments; Buckets; Loaders; Animal Draft Implements.

UNITED KINGDOM
BAGINTON (359,000 sq. ft.) — Tractor components.
COVENTRY (1,466,000 sq. ft.) Agricultural and Industrial Tractors; Axles; Gearboxes; other Components.
KILMARNOCK (763,000 sq. ft.) — Combines; Mowers; Tractor Accessories.
KNOWSLEY — (250,000 sq. ft.) — Industrial and Construction Machinery.
MANCHESTER (511,000 sq. ft.) — Drills; Fertilizer Attachments; Tractor-loaders; Tractor-backhoe-loaders; Tractor Components.

UNITED STATES
AKRON (460,000 sq. ft.) — 2- and 4-Wheel-Drive Loaders; Crawler Dozers and Loaders; Forklifts; Tractor-loaders; Tractor-backhoe-loaders; Landscaping Equipment; Forestry Crawlers; Skidders.
DES MOINES (570,000 sq. ft.) — Corn Heads; Lawn and Garden Tractors; Snowmobiles.
DETROIT (North American Tractor Plant) (550,000 sq. ft.) — Agricultural and Industrial Tractors.
DETROIT (Transmission and Axle Plant) (314,000 sq. ft.) — Transmissions and Axles; Hydraulic Pumps, Power Steering Units; Components.
KAUKAUNA (82,000 sq. ft.) — Badger Barn Cleaners; Silo Unloaders; Forage Wagons; Manure Spreaders; Forage Blowers; Silage Distributors.
NEENAH (60,000 sq. ft.) — Tube and Bunk Auger Feeders; Chain Conveyors.

ENGINES GROUP

AUSTRALIA, Dandenong (16,000 sq. ft.) Assembly of Industrial Diesel Engines; Engine reconditioning.
BRAZIL, Sao Paulo (155,000 sq. ft.) — Diesel Engines.
FRANCE, Paris (153,000 sq. ft.) — Diesel Engines.
UNITED KINGDOM, Fletton (136,000 sq. ft.) Diesel Engines; Peterborough (Eastfield) (1,287,000 sq. ft.) Diesel and Gasoline Engines; Peterborough (Queen St.) (106,000 sq. ft.) — Engine reconditioning; Peterborough (Walton) (170,000 sq. ft.) — Gears and Engine Components.

ASSOCIATE COMPANIES

ARGENTINA: Perkins Argentina S.A.I.C., Cordoba (161,000 sq. ft.) — Diesel Engines.
INDIA: Tractors and Farm Equipment Limited, Madras (186,000 sq. ft.) — Tractors and Implements.
MEXICO: Massey-Ferguson de Mexico S.A., Queretaro (145,000 sq. ft.) — Tractors; Motores Perkins S.A., Toluca (78,000 sq. ft.) — Diesel Engines.
MOROCCO: COMAGI, Casablanca (10,000 sq. ft.) — Tractors.
SPAIN: Motor Iberica S.A., Avila (251,000 sq. ft.) — Vans; Barcelona (322,000 sq. ft.) — Tractors; Trucks; Barcelona (248,000 sq. ft.) — Sheet Metal Components; Madrid (110,000 sq. ft.) — Diesel Engines; Noain (129,000 sq. ft.) — Combines; Ejea (89,000 sq. ft.) — Implements.

Massey-Ferguson Limited

FARM MACHINERY
INDUSTRIAL & CONSTRUCTION MACHINERY
ENGINES

LITHOGRAPHED IN CANADA
BY SAMPSON-MATTHEWS LTD.

AR53

Massey-Ferguson Limited

595 Bay Street, Toronto, Ontario, Canada M5G 2C3

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS (COMMON AND PREFERRED)

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (Common and Preferred) of MASSEY-FERGUSON LIMITED (the "Company") will be held in the Commonwealth Ballroom, Holiday Inn, 89 Chestnut Street, in the City of Toronto, in the Province of Ontario, Canada, on Wednesday, the thirtieth day of May, 1984, at the hour of 12:00 noon (Toronto time), for the following purposes:

(1) To receive the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended January 31, 1984, together with the reports of the Directors and auditors thereon;

(2) To elect Directors;

(3) To appoint auditors for the ensuing year and to authorize the Directors to fix the remuneration of the auditors;

(4) To transact such further or other business as may properly be brought before the Meeting or any adjournment thereof.

Dated at Toronto this
8th day of May, 1984

By Order of the Board
J. P. McCarter
Secretary

Common and Preferred shareholders may exercise their rights by attending the meeting or by completing a form of proxy. Should you be unable to attend the meeting in person, kindly date and sign the enclosed form of proxy and return it in the envelope provided at your earliest convenience. Your shares will be voted or withheld from voting on any ballot in accordance with your instructions as indicated on your proxy.

PROXY STATEMENT AND CIRCULAR

(First mailed to shareholders on or about May 8, 1984)

Solicitation of Proxies

This proxy statement and circular is furnished in connection with the solicitation by the directors and management of Massey-Ferguson Limited (the "Company") of proxies for use at the Annual Meeting (the "Meeting") of Shareholders (Common and Preferred) of the Company, to be held on Wednesday, May 30, 1984 at 12:00 noon (Toronto time) in the Commonwealth Ballroom, Holiday Inn, 89 Chestnut Street, in the City of Toronto, Canada, for the purposes set forth in the foregoing Notice of Meeting, and at any adjournment thereof.

The total cost of solicitation of proxies will be borne by the Company. The solicitation will be made primarily by mail. However, employees of the Company may also solicit proxies (for no additional compensation) by telephone or telegram, and banks, brokerage houses and other custodians and nominees or fiduciaries will be requested to forward soliciting material to their principals and to obtain authorizations for the execution of proxies and will be reimbursed for reasonable expenses in doing so. The principal executive offices and the head office of the Company are at 595 Bay Street, Toronto, Canada, M5G 2C3.

It is not intended to use the accompanying form of proxy for the purpose of voting upon the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended January 31, 1984, and the reports of the directors and auditors thereon.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors and/or officers of the Company. A shareholder has the right to appoint a person (who need not be a shareholder of the Company) to act as proxy at the Meeting other than one of the persons named in the accompanying form of proxy. To exercise this right, the shareholder should draw a line through the printed names and insert the name of the shareholder's nominee in the space provided on the form of proxy.

Pursuant to applicable Canadian law, a shareholder who executes and returns the accompanying form of proxy may revoke it at any time before it is exercised. This may be done, in addition to any other manner permitted by law, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, by its duly authorized officers, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. If a shareholder who has completed a proxy attends the Meeting in person, any votes cast by the shareholder will be counted and the proxy will be disregarded.

Record Date

The directors have fixed the close of business on April 19, 1984, as the record date for the Meeting. Only holders of record of Common Shares and Preferred Shares as at the close of business on April 19, 1984 are entitled to receive notice of and to attend and vote at the Meeting except that a transferee of shares acquired after April 19, 1984 shall be entitled to vote at the Meeting if such transferee produces properly endorsed certificates for such shares or otherwise establishes ownership of such shares and has demanded not later than 10 days before the Meeting that the name of such transferee be included in the list of shareholders entitled to vote at the Meeting.

Voting Securities and Principal Holders Thereof

On April 19, 1984 there were 98,782,070 Common Shares of the Company outstanding of which 65,281,850 Common Shares were issued to the Company's lenders in connection with the Company's 1981 financial restructuring (the "1981 Restructuring") and the Company's 1983 financial restructuring (the "Future Development Plan"). On April 19, 1984 there were 21,136,000 Preferred Shares of the Company outstanding, consisting of 1,458,500 Series A Preferred Shares, 2,197,500 Series B Preferred Shares, 6,000,000 Series C Preferred Shares, 8,000,000 Series D Preferred Shares and 3,480,000 Series E Preferred Shares.

The rights attached to the Preferred Shares as a class provide that the holders thereof are entitled to one vote per share at any meeting of shareholders if dividends on the Preferred Shares of any series are in arrears to the extent of eight quarterly dividends. Dividends have not been paid to the holders of the Series B Preferred Shares since March 31, 1982. Accordingly, as of the date of the Meeting, dividends on the Series B Preferred Shares will have been in arrears to the extent of eight quarterly dividends, thereby entitling all holders of Preferred Shares to receive notice of and to attend and vote at the Meeting.

Each Common Share and each Preferred Share of the Company is entitled to one vote at the Meeting.

A quorum for the transaction of business at the Meeting (other than for adjournment) is at least two persons present in person and entitled to vote thereat and holding or representing by proxy not less than 15 per cent of the total number of the issued shares (Common Shares and Preferred Shares) of the Company.

The 6,000,000 Series C Preferred Shares are beneficially owned by Canadian Imperial Bank of Commerce ("CIBC"), 5,000,000 of the Series D Preferred Shares are beneficially owned by the Canada Development Investment Corporation ("CDIC"), a Crown corporation of the Government of Canada, 3,000,000 of the Series D Preferred Shares are beneficially owned by the Province of Ontario and the 3,480,000 Series E Preferred Shares are beneficially owned by the Export Credits Guarantee Department of The Department of State for Trade & Industry of the United Kingdom ("ECGD"). These holdings represent 28.4%, 23.7%, 14.2% and 16.5% respectively of the total number of Preferred Shares outstanding and 5.0%, 4.2%, 2.5% and 2.9% respectively of the shares having voting rights at the Meeting.

Set forth below is certain information with respect to those persons known to the Company to be the beneficial owners (as defined by the rules of the United States Securities and Exchange Commission) of more than 5% of the Company's Common Shares and of more than 5% of the Company's Preferred Shares.

				Percent of class (6)	
Name and Address of Beneficial Owner	Title of Class	Ownership of Outstanding Shares	Shares Owned and Deemed to be Owned Beneficially	Current Ownership	Shares Owned and Deemed to be Owned Beneficially
Canadian Imperial Bank of Commerce,	Common	—	28,333,333(3)	—	22.3
Commerce Court	Preferred	6,000,000(1)(2)	6,000,000(1)(2)	28.4	28.4
Toronto, Ontario, Canada					
The Royal Bank of Canada 200 Bay Street Toronto, Ontario, Canada	Common	1,899,497	10,482,346(4)	1.9	9.8
Export Credits Guarantee Department	Common	—	20,102,915(5)	—	16.9
of the Department of State for Trade	Preferred	3,480,000(1)(2)	3,480,000(1)(2)	16.5	16.5
and Industry of the United Kingdom Aldermanbury House Aldermanbury London, England					
The Equitable Life Assurance Society of the United States 1285 Avenue of the Americas New York, New York	Common	8,364,967	8,710,816	8.5	8.8
New York Life Insurance Company 51 Madison Avenue New York, New York	Common	8,364,967	8,710,816	8.5	8.8
Canada Development Investment Corporation 999 West Hastings Street Vancouver, British Columbia Canada	Preferred	5,000,000(2)	5,000,000(2)	23.7	23.7
Province of Ontario Ministry of Industry and Trade, 900 Bay Street, Toronto, Ontario, Canada	Preferred	3,000,000(2)	3,000,000 (2)	14.2	14.2

(1) Represents Preferred Shares which are convertible into Common Shares as reflected in notes 3 and 5.

(2) Represents Preferred Shares which are retractable at the option of the holders on May 31, 1991 and on any May 31 thereafter.

(3) Represents 20,000,000 Common Shares issuable upon conversion of 6,000,000 Series C Preferred Shares, and 8,333,333 Common Shares issuable in exchange for 8,333,333 preferred shares of a subsidiary of the Company of which CIBC presently holds 3,129,583 preferred shares and will be entitled to receive 5,203,750 preferred shares in the future under principal and interest conversion programs.

(4) Represents 2,382,346 Common Shares, including 281,620 Common Shares issuable in exchange for preferred shares of a subsidiary of the Company, all of which have been or will be issued under principal and interest conversion programs, and 8,100,000 Common Shares issuable until May 31, 1991 at Cdn. $5.00 per share on exercise of a like number of Initial Warrants.

(5) Represents 15,818,182 Common Shares issuable upon conversion of the 3,480,000 Series E Preferred Shares and 4,284,733 Common Shares issuable in exchange for 4,284,733 preferred shares of a subsidiary of the Company of which ECGD presently holds 1,758,531 preferred shares and will be entitled to receive 2,526,202 preferred shares in the future under principal and interest conversion programs.

(6) Percentages are calculated on the basis of the number of outstanding shares as of April 19, 1984 excluding securities held by or for the account of the Company or its subsidiaries, plus in the case of deemed ownership of Common Shares, Common Shares deemed outstanding under the rules of the United States Securities and Exchange Commission (shares which will be outstanding if a shareholder exercises his particular conversion rights or warrants).

ELECTION OF DIRECTORS

The Board of Directors is elected annually and may consist of such number between 10 and 24 members as the directors may from time to time determine. The directors have determined that the number of directors following the Meeting shall be 14. Unless authority to vote is withheld, shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy will be voted on any ballot for the election of the nominees named below. The term of office for each director is from the date of the Meeting at which he is elected until the Annual Meeting next following or until his successor is elected or appointed. In the event that prior to the Meeting any vacancies occur in the slate of nominees submitted herewith it is intended that discretionary authority shall be granted to vote shareholders' proxies for the election of any other person or persons as directors. Management is not aware that any nominee as set out below would be unwilling to serve as a director if elected.

Information Concerning Nominees for Election to the Board of Directors.

The following table sets out the name and age of each of the persons proposed to be nominated for election as a director; all other positions and offices, if any, now held by him with the Company; his principal occupation during the last five years; the year in which he first became a director; and the number of equity securities of the Company that he has advised the Company are beneficially owned by him, directly or indirectly, or over which control or direction is exercised by him as of April 19, 1984. All nominees are currently serving as directors. All directors and officers of the Company, as a group, own less than 1% of any class of equity securities of the Company.

Name and Age	Other Positions and Offices with the Company now held	Principal Occupation and certain other Directorships	Director Since	Amount and nature of Ownership	
				Preferred Shares	Common Shares
John N. Abell (52)	Nil	Chairman and Chief Executive Officer, Orion Royal Bank Limited, Vice Chairman, Wood Gundy Limited *(investment bankers)* (1977-1982), also Director, Echo Bay Mines Limited	1983	—	100(2)
Ralph M. Barford (54)	Chairman of the Human Resources Committee and Member of the Nominating and Executive Committees	President, Valleydene Corporation Limited, Toronto, *(private investment company)*, also Chairman, Union Gas Company Limited, Director, National Trust Company, Limited, Morton Thiokol Inc. *(diversified manufacturer)*	1979	—	100
R. Donald Fullerton (52)	Member of the Executive Committee	Vice Chairman and President, Canadian Imperial Bank of Commerce, also Director, IBM Canada Ltd., North American Life Assurance Company, Amoco Canada Petroleum Company Limited, American Can Inc.	1981	—	—(3)
H.N.R. Jackman (51)	Member of the Audit Committee	Chairman, The Empire Life Insurance Company, Chairman, Victoria and Grey Trust Co.	1978-1980 1982	—	100(4)
Vincent D. Laurenzo (44)	President of the the Company	President of the Company, Senior Vice President Planning and Administration (1980-1981), Other Senior Financial Positions (1977-1980)	1982	—	61,820(1)(5)
John D. Leitch (63)	Member of the Audit and Executive Committees	President, ULS International Inc., Toronto, *(shipping company)* also Director, American Airlines, Inc., Canadian Imperial Bank of Commerce	1962	5,000	46,253(3)
R. Alastair Morton (46)	Nil	Chief Executive, Guinness Peat Group PLC *(financial services and investment group)*, Managing Director, British National Oil Corporation (1976-1980)	1981	—	—(6)
Victor A. Rice (43)	Chairman of the Board of Directors and of the Executive Committee and Member of the Human Resources and Nominating Committees	Chairman and Chief Executive Officer of the Company	1978	—	112,740(1)(7)

Name and Age	Other Positions and Offices with the Company now held	Principal Occupation and certain other Directorships	Director Since	Amount and nature of Ownership Preferred Shares	Common Shares
A.M. Runciman (69)	Nil	President, United Grain Growers Limited (1979-1981), Director, Canadian Pacific Limited, The Royal Bank of Canada, Great West Life Assurance Company	1975	—	200(2)
M.F. Strong (54)	Nil	Chairman, Canada Development Investment Corporation, Chairman Canada Development Corporation, Chairman AZL Resourses Inc. (1978-1983) *(agribusiness, energy and real estate)*	1983	—	(8)
The Hon. John N. Turner (54)	Chairman of the Nominating Committee and Member of the Executive Committee	Partner, McMillan, Binch, Toronto *(Barristers and Solicitors)*, also Director, Canadian Pacific Limited, The Seagram Company Ltd., MacMillan Bloedel Ltd.	1980	—	100
J. Page R. Wadsworth (72)	Chairman of the Audit Committee and Member of the Human Resources and Executive Committees	Chairman of the Executive Committee, Confederation Life Insurance Company, also Director, Holt Renfrew & Co. Ltd., Bayer Foreign Investments Limited	1977	—	500
The Hon. Robin Warrender (56)	Nil	Chairman and Chief Executive, Bain Dawes PLC *(insurance brokers)*	1982	—	1000(9)
L.R. Wilson (44)	Member of the Human Resources Committee	President & Chief Executive Officer, Redpath Industries Ltd., *(sugar refiners)*, also Director, Canadian Corporate Management Company Limited, Tate and Lyle Inc., Deputy Minister, Ontario Ministry of Trade & Tourism (1978-1981)	1982	—	300
All nominees for director and officers as a group				5,000	429,662(1)

(1) Shares issuable upon the exercise of outstanding options are shown as beneficially owned if the options are exercisable prior to May 30, 1984.

(2) Mr. Abell was appointed a director of the Company at the meeting of the Board of Directors held on November 25, 1983. He served as Vice Chairman of Wood Gundy Limited, investment bankers, from 1977 to 1982. Wood Gundy Limited has provided and continues to provide financial advisory services to the Company.

Orion Royal Bank Limited, of which Mr. Abell is Chairman, holds 140,267 of the Company's Common Shares. Orion Royal Bank Limited is a wholly owned subsidiary of The Royal Bank of Canada, of which Mr. Runciman is a director. The Royal Bank of Canada holds 8,100,000 Initial Warrants and, directly or indirectly through subsidiaries, 1,899,497 of the Company's Common Shares and 174,882 preferred shares of a subsidiary exchangeable for a like number of Common Shares of the Company. At April 19, 1984, The Royal Bank of Canada, directly and through various subsidiaries including Orion Royal Bank Limited, had outstanding loans to subsidiaries of the Company of approximately U.S. $33.6 million in the aggregate. See "Voting Securities and Principal Holders Thereof".

(3) CIBC is Massey-Ferguson's largest lender and at April 19, 1984 had outstanding loans to subsidiaries of the Company of approximately U.S. $169 million. Mr. Fullerton and Mr. Leitch are both directors of CIBC. See "Voting Securities and Principal Holders Thereof".

(4) Mr. Jackman is the Chairman of Victoria and Grey Trust Co. which holds 1,250,000 Initial Warrants.

(5) Includes 61,420 shares issuable upon the exercise of outstanding options.

(6) Mr. Morton was appointed a director of the Company at the meeting of the Board of Directors held on August 26, 1981. Mr. Morton was invited to join the Board following consultations (as provided for in the 1981 Restructuring) with ECGD, who proposed him after consultation with the Company's U.K. bankers.

(7) Includes 112,037 shares issuable upon the exercise of outstanding options.

(8) The 1981 Restructuring Agreements committed the Company to include in its Annual Meeting proxy solicitation material the names of a nominee for the Board of Directors proposed by each of the Governments of Canada and Ontario and by CIBC. Neither the Ontario Government nor CIBC has made a nomination pursuant to this commitment, but CIBC is aware that Mr. Fullerton has been a director. The Government of Canada nominated Mr. Strong to serve as a director, and he was appointed to the Board at a meeting held on November 25, 1983.

(9) Mr. Warrender is the Chairman and Chief Executive of Bain Dawes PLC who act directly or indirectly as the Company's insurance broker in the United Kingdom, France and Australia. Insurance premiums totalling U.S. $3.0 million were paid to Bain Dawes PLC and its subsidiaries for the twelve months ending January 31, 1984.

Committees of the Board of Directors

The Executive Committee was established in September, 1983 to deal with those matters (except such matters which by law must be exercised by the Board itself) previously discussed by the Board which may require action by the Board before the next regularly scheduled meeting. The Executive Committee has not met.

The Nominating Committee examines the qualifications of proposed candidates for nomination to the Board of Directors and makes recommendations thereon to the Board. The Nominating Committee will consider candidates recommended by shareholders. Such recommendations, giving full particulars, including what contribution such nominee would make to the Board of Directors, should be made in a timely manner and in writing to the Chairman of the Nominating Committee at the Company's head office address. The Nominating Committee met once during the fiscal year ended January 31, 1984.

The Audit Committee reviews the annual financial statements of the Company prior to their submission to the Board of Directors, the scope of the audit, the internal financial controls of the Company, any significant or unusual transactions, and procedures that are being followed to ensure compliance with the Company Policy on Standards of Business Conduct. The Audit Committee met twice during the fiscal year ended January 31, 1984.

The Human Resources Committee authorizes practices for the administration of salaries in the Company, pension plans and the compensation and terms and conditions of employment of senior executives and reviews the status of human resources throughout the Company. The Committee met twice during the fiscal year ended January 31, 1984.

Meetings of Board of Directors

The Board of Directors of the Company met nine times during the fiscal year ended January 31, 1984. During the year it was necessary, on short notice, to reschedule five meeting dates and add one unscheduled meeting of the Board of Directors, causing severe conflicts for certain directors. As a result Messrs. Abell, Leitch, Morton, Runciman, Turner, Warrender and the Duke of Wellington were able to attend less than 75 per cent of the total number of meetings of the Board and committees on which they serve.

Remuneration of Executive Officers

The following table, which reflects the regulations of the United States Securities and Exchange Commission, sets forth all remuneration paid by the Company and its subsidiaries during the 12 month period ended January 31, 1984 for services in all capacities to (1) each of the five most highly compensated executive officers of the Company whose total cash compensation exceeded U.S. $60,000 annually and (2) all executive officers as a group, while serving as such.

(A) Name of Individual Or Number of Persons in Group	(B) Capacity in which Served	(C) Cash Compensation *(Expressed in U.S. Dollars)*
D.G. Kettering	Senior Vice President	$196,195
V.D. Laurenzo	President	287,575
I. Porter	Senior Vice President	163,697
R. Ramsay (Note 4)	Senior Vice President	157,869
V.A. Rice	Chairman and Chief Executive Officer	410,362
All executive officers as a group (18 persons)		2,462,364

NOTES:

(1) Average exchange rate during period—$1 U.S. = $1.23 Canadian.

(2) The amounts in column C for Messrs. Laurenzo, Ramsay and Rice include deferred remuneration, not yet paid, in the amounts of U.S. $57,190, $21,924 and $100,485 respectively.

(3) The Company furnishes automobiles to its executive officers and certain other employees for use by them in connection with Company business. The estimated value of such personal benefit is less than U.S. $15,000 per employee.

(4) Mr. Ramsay retired on January 31, 1984.

Remuneration of Officers and Directors

The following table sets forth, using the form and definitions required by Canadian law, all remuneration paid by the Company and its subsidiaries during the 12 month period ended January 31, 1984 to its present directors and officers.

Remuneration of Present Directors (U.S. Dollars)
(12 month period ended January 31, 1984)

	Directors' Fees	Salaries Note 4	Other Note 2	Total
A. Number of Directors (15, of whom 2 are officers)	$196,997	$ 522,722	$157,675	$ 877,394
B. Body Corporate incurring the expense: Massey-Ferguson Limited	$196,997	$ 522,722	$157,675	$ 877,394

Remuneration of Present Officers (U.S. Dollars)
(12 month period ended January 31, 1984)

	Directors' Fees	Salaries Note 4	Other Note 2	Total
A. Number of officers:				
(19, of whom 2 are directors)	$ 17,540	$2,502,269	$179,599	$2,699,408
B. Body Corporate incurring the expense:				
Massey-Ferguson Limited	$ 17,540	$1,807,871	$179,599	$2,005,010
Massey-Ferguson Inc.		284,515		284,515
Massey-Ferguson Holdings Limited		197,000		197,000
MFP International Services N.V.		212,883		212,883
TOTAL	$ 17,540	$2,502,269	$179,599	$2,699,408

NOTES:

(1) The above table reflects the requirements of the Canada Business Corporations Act. No bonuses or non-accountable allowances were paid.

(2) The remuneration indicated under the heading of "Other" in the above table consists of compensation due but for which payment has been deferred.

(3) The estimated aggregate cost to the Company of all pension benefits proposed to be paid to the directors and officers of the Company in the event of continuation of service until retirement is estimated to be U.S. $159,000 for the 12 month period ended January 31, 1984.

(4) The Company furnishes automobiles to its officers and certain other employees for use by them in connection with Company business. The total remuneration set out above for officers contains an estimate of the value of that portion of use for personal purposes.

(5) The table includes the imputed benefit comprising interest which would otherwise have been paid on loans from the Company.

Directors Fees

Under a plan, in effect since August, 1981, directors receive an annual retainer of Cdn. $12,000 plus an annual retainer of Cdn. $3,000 for membership on the Audit Committee and Human Resources Committee, and Cdn. $800 for each board meeting attended and Cdn. $500 for each committee meeting attended.

The Chairmen of Board committees receive an additional annual retainer of Cdn. $1,000. Employee directors do not receive Board attendance fees or committee fees.

Other Arrangements

The employment of Mr. M.R. Hoffman as the Company's President Farm & Industrial Machinery division was terminated on August 10, 1983. Pursuant to a termination agreement, in lieu of all other amounts due to him and in settlement of all claims, the Company paid Mr. Hoffman a sum of U.S. $133,980. The agreement also provided continuation until September 30, 1983 of his life, accidental death and medical and dental insurance benefits under the Company's plans, with the same coverages as prior to termination, but with contributions required in accordance with such plans and it further provided that the Company pay up to a maximum of U.S. $28,420 for Mr. Hoffman's relocation expenses incurred in moving from Canada to the United Kingdom.

U.S. Employees' Savings Plan

Under this plan as currently in effect, a salaried employee may contribute up to 12 per cent of his regular compensation. To the extent that an employee contributes between 2 per cent and 6 per cent of his regular compensation, the Company has contributed an amount equal to 50 per cent of the employee contribution prior to June 9, 1980 when the Company reduced its contribution to 25 per cent of the employee contribution. The Company eliminated its contribution on January 1, 1982. To date no decision has been made on when the Company contribution will be reinstated. Company contributions become fully vested after two years of membership in the plan, or upon death, disability or retirement.

Retirement Income Plans

Effective January 1, 1965 the Company adopted the Retirement Income Plan for Salaried Employees covering full-time employees of the Company and its Canadian and United States subsidiaries and all participating affiliated companies. The Plan has been amended by the Company's Board of Directors from time to time. Pension income at normal retirement is based on the highest average annual earnings (excluding discretionary incentive pay) received during any five consecutive years for the last ten years of employment and is integrated with pension payable under government pension plans.

The Company is advised by its actuaries that the annual amounts of contributions paid or accrued in respect of specified persons is not and cannot readily be separately or individually calculated.

Assuming that an employee is entitled to an annual U.S. Social Security benefit of U.S. $7,000, the following table illustrates the amount of annual pension benefit payable by the Company to a person in the specified final average earnings and years-of-service classifications at normal retirement date. The table reflects the limits imposed by The Tax Equity and Fiscal Responsibility Act of 1982.

5-Year Final Average Earnings	20 Years Service	25 Years Service	30 Years Service	35 Years Service
U.S. $ 50,000	U.S. $ 10,167	U.S. $ 12,083	U.S. $ 14,000	U.S. $ 15,875
100,000	22,667	27,083	31,500	35,250
200,000	47,667	57,083	66,500	74,000
300,000	72,667	87,083	90,000	90,000
450,000	90,000	90,000	90,000	90,000

(Average earnings exclude performance related bonuses.)

The Canadian plan has an optional contributory section largely financed through employee contributions. On January 1, 1982, the optional contribution section was suspended.

On December 21, 1982 the Company's Board of Directors approved the introduction of revised retirement income arrangements for designated Canadian-based executives. These arrangements are designed to pay a higher pension than the pension payable under the plan outlined above and recognize, among other things, that a significant portion of total executive compensation varies with Company results and that the variable portion is not pensionable. The arrangements do not apply to other countries where compensation practices differ.

Assuming that an employee is entitled to an annual Canada Pension Plan and Old Age Security benefit of U.S. $5,684 (Cdn. $7,000) at normal retirement date, the following table illustrates the annual pension payable by the Company under these arrangements to the designated executives in the specified final average earnings and years-of-service classifications.

5-Year Average Earnings	20 Years Service	25 Years Service	30 Years Service	35 Years Service
U.S. $ 50,000	U.S. $ 18,103	U.S. $ 22,629	U.S. $ 27,155	U.S. $ 29,655
100,000	38,103	47,629	57,155	62,655
200,000	78,103	97,629	117,155	127,655
300,000	118,103	147,629	177,155	192,655
450,000	178,103	222,629	267,155	289,655

(Average earnings exclude performance related bonuses.)

Of the five officers named in the table on page 7, Messrs. Kettering, Laurenzo, Porter, Ramsay and Rice have service at January 31, 1984 of 16.8, 17.5, 14.9, 35.0 and 13.8 years respectively.

Aggregate Company expense in the twelve months ended January 31, 1984, for benefits accruing in the period represented 4.1 per cent of covered payroll for the Canadian plan and 1.2 per cent of covered payroll for the U.S. plan for all employees eligible to participate therein.

Variable Compensation

On June 20, 1979, the Board of Directors approved an arrangement for certain key executives whereby part of their compensation was made contingent on a return by the Company to profitable operations. This arrangement was modified by the Board of Directors on February 27, 1980. No payouts were made during the fiscal years 1980-1982 inclusive from these variable compensation programs.

On December 21, 1982, the Board of Directors approved a further refinement of these arrangements and extended the program to selected subsidiaries. The amounts payable, if any, under the program are based upon the extent to which each operating group participating in the program achieves annual performance goals established for each such group. Varying percentages of the target payments will be made depending upon actual achievement in relation to goals established between the minimum below which no amount would be payable, and the maximum above which no additional amount can be earned. There will be no payouts to participating executives for the fiscal period ending January 31, 1984.

Executive Stock Option Plan

At the 1983 Annual Meeting, the holders of Common Shares approved the Executive Stock Option Plan (the "Plan"). The purpose of this Plan is to provide a long-term incentive to key executives related to significant improvement in the Company's future.

The Plan provides for the granting to key executive employees of the Company and its subsidiaries of options to purchase Common Shares up to an aggregate number of 5% of the number of Common Shares outstanding from time to time. The Company presently has outstanding approximately 98 million Common Shares and the Plan currently authorizes the granting of options to purchase up to approximately 4.9 million Common Shares. Upon issuance of all the Common Shares currently allotted and reserved for issuance, the Plan would permit the granting of options to purchase up to approximately 10 million Common Shares. The purchase price for Common Shares under options granted under the Plan may not be less than 90% of the market value of the shares at the time of grant. Subject to applicable law, the Board of Directors may in their sole discretion grant loans to assist the optionees to purchase shares so granted. Such loans may be secured or unsecured, and at such rates of interest, if any, and on such other terms as may be determined by the Board of Directors. Options granted under the Plan must be exercised within ten years from the date of grant. In the event of the expiration or other termination of any option, the Common Shares which then remain issuable upon exercise of such option may be reallocated under the Plan. There is no limit on the time during which options may be granted under the Plan. Curently options to purchase 1,807,230 Common Shares are outstanding of which 1,461,120 are held by executive officers, and 243,210 are held by former executive officers. Of the total options outstanding, options to purchase 1,762,230 Common Shares (including all of the options granted to the executive officers named in the following paragraph) were issued on April 27, 1983 and have an exercise price of Cdn. $4.05. Additional options to purchase 45,000 Common Shares were issued on August 4, 1983 and have an exercise price of Cdn. $5.40. The closing prices of the Company's Common Shares on The Toronto Stock Exchange on April 26, 1983 and August 3, 1983 were Cdn. $4.50 and Cdn. $6.00 respectively. The price range of the Common Shares in the 30 days preceding each of April 27, 1983 and August 4, 1983 was Cdn. $3.70 to Cdn. $4.85 and Cdn. $5.50 to Cdn. $6.25 respectively. Twenty-five per cent of each grantee's options become exercisable on each anniversary of the date of grant.

Options, as described above, were granted by the Company to certain executive officers and to all executive officers as a group in the following amounts: V.A. Rice, 448,150; V.D. Laurenzo, 245,680; D.G. Kettering, 102,470; I. Porter, 113,580 and all executive officers as a group, 1,461,120.

Loans to Officers

Since February 1, 1983 the following loans have been outstanding to officers and were made for the purpose of assisting them to purchase residences:

	Largest aggregate amount outstanding at any time during the period February 1, 1983 to January 31, 1984	Aggregate amount outstanding as at January 31, 1984
N.D. Arnold, Vice President and Treasurer	U.S. $ 13,144	U.S. $ 12,226
D.L. Burn, Assistant Treasurer	96,007	90,301
R.C. Clarke, Vice President	120,918	113,925
P. Collins, Vice President	87,652	82,400
M.E. Erlindson, Assistant Treasurer	53,790	11,304
R.D. Garland, Assistant Secretary	16,300	15,379
V.D. Laurenzo, President	68,460	64,080
D.B. Long, Vice President	159,414	149,947
I. Porter, Senior Vice President	16,626	15,687
V.A. Rice, Chairman	88,020	—
J.K. Robson, Comptroller	76,188	71,783
R.E. Robson, Vice President	136,920	128,961

Loans to officers are repayable on demand without interest (except two which are interest bearing) and are secured by mortgages on the residential properties in connection with which they were made. The Company requires repayment in equal annual instalments over a 25 year period and repayment in full on the termination of the officer's employment or on sale of the property. An officer may repay a loan at any time. The making of loans to employees to assist in the purchase of residences is expressly provided for in the Canada Business Corporations Act.

Directors and Officers Liability Insurance

The Company provides directors and officers liability insurance with a policy limit of Cdn. $30,000,000 per occurrence subject to a deductible of Cdn. $200,000 for the Company and Cdn. $5,000 for each director and officer (Cdn. $15,000 aggregate) per occurrence. In addition, the policy has a 5% co-insurance clause on losses up to Cdn. $1,000,000. Under this insurance coverage the Company would be reimbursed for any payments made under the indemnity provisions of the Company by-laws on behalf of its directors and officers and the individual directors and officers would be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the Company. Protection is provided to the directors and officers for certain acts, errors or omissions done or committed during the course of their duties in such office. The annual premium for this insurance is Cdn. $147,250 in respect of both directors and officers and this total sum was paid by the Company.

APPOINTMENT OF AUDITORS

Unless it is specified in a proxy that such shares shall be withheld from voting in respect of the appointment of auditors, shares represented by properly executed proxies in favour of the persons designated in the enclosed form of proxy will be voted on any ballot for the reappointment of Clarkson Gordon, as independent auditors of the Company, to hold office until the next Annual Meeting of shareholders and to authorize the directors to fix the remuneration of such auditors.

To the knowledge of the Company, neither Clarkson Gordon nor any of its partners have any direct or indirect financial interest in the Company or any of its subsidiaries. A representative of Clarkson Gordon is expected to be present at the Meeting and will have an opportunity to make a statement if he desires to do so, and to answer appropriate questions by shareholders.

1985 Annual Meeting of Shareholders

The Company will not consider including a shareholder proposal for action at its Annual Meeting of shareholders to be held in 1985 in the proxy material to be mailed to its shareholders in connection with such meeting, unless such proposal is received at the principal office of the Company on or before December 31, 1984.

Other matters

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the date of this proxy statement and circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

This proxy statement and circular and the enclosed form of proxy, and the sending thereof to the shareholders of the Company, have been approved by the Board of Directors of the Company.

Dated at Toronto, Ontario, Canada
May 8, 1984

By Order of the Board
J.P. McCarter
Secretary

A copy of the Company's Form 10K report as filed with the United States Securities and Exchange Commission will be sent to any shareholder upon written request to the Company Secretary.